Austria	[illegible]	Iran	[illegible]	Pakistan	[illegible]
Bahrain	[illegible]	Israel	[illegible]	Philippines	[illegible]
Belgium	[illegible]	Italy	[illegible]	Poland	[illegible]
Cyprus	[illegible]	Jordan	[illegible]	Portugal	[illegible]
Denmark	[illegible]	Korea	[illegible]	Qatar	[illegible]
Egypt	[illegible]	Kuwait	[illegible]	S.Arabia	[illegible]
Finland	[illegible]	Lebanon	[illegible]	Singapore	[illegible]
France	FFr7.50	Lux	LFr55	Spain	Pta165
Germany	DM2.60	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr180	Morocco	[illegible]	Switz	SFr2.50
Hungary	Ft107	Neth	Fl 3.25	Thailand	Bht50
Iceland	IKr160	Nigeria	Naira12	Tunisia	Din0.850
India	Rs13	Norway	NKr12.00	Turkey	L3000
Indonesia	Rp3100	Oman	OR1	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

US DEFICIT
The real test lies ahead
Page 23

FT No. 31,266

Tuesday October 2 1990

Φ D 8523A

World News

Bush seeks to reassure world leaders on Gulf crisis

President Bush yesterday sought to reassure other world leaders about US intentions in the Gulf crisis, following increasing worries about a slide into war.

Mr Bush said Iraqi behaviour was a challenge to the entire world's vision of the future – "a test which we cannot afford to fail". Page 24, Gulf crisis, Page 2

Thaw in relations

Chinese prime minister Li Peng used his National Day speech to signal Peking's willingness to normalise relations with Vietnam. Page 8; US may lift aid curbs, Page 8

Serbs proclaim split

The Yugoslav state presidency called an emergency session after leaders of the Serbian minority in the republic of Croatia proclaimed autonomy. Page 7

Bomb inquiry opens

Pan Am called for more government help for airlines in the fight against terrorism on the first day of the Lockerbie air disaster inquiry in Scotland. Page 14

Korean unity hope

South Korean president Roh Tae Woo said that newly established diplomatic ties with Moscow would encourage reunification of the Korean peninsula by spurring changes irresistible to North Korea. Page 8

Beirut rally shelled

Unidentified gunners opened fire on a Beirut rally attended by hundreds of followers of rebel Christian General Michel Aoun, killing 12 people and wounding at least 36, witnesses said.

Walesa on hustings

Lech Walesa, ahead of his chief rival, prime minister Tadeusz Mazowiecki, launched his campaign for the Polish presidency with a planned mass rally in Torun.

Indian court order

India's Supreme Court ordered the government to halt its job quota programme for lower castes, hoping its temporary injunction will stop a wave of student protests and suicides. Page 8; Singh regrets missed opportunity, Page 8

Troops shoot youths

British soldiers shot dead two Irish teenagers when they crashed through a checkpoint in a stolen car in West Belfast. A third teenager suffered arm injuries. Page 12

End to persecution

The Soviet parliament ended decades of state persecution of organised religion by giving final approval to a law guaranteeing freedom of worship.

Security reviewed

Foreign ministers from 35 western and eastern European countries began a two day meeting to lay the foundations of a new European security structure. Page 3

Shares 'no gift'

Ronald Li, the former chairman of Hong Kong's stock exchange, on trial on corruption charges, yesterday denied he was receiving any "reward" when he was handed 700,000 free shares. Page 8

Radio station razed

Gunmen broke into a Nicaraguan radio station critical of the government and opposition Sandinista party, doused equipment with petrol and set it on fire. Workers Front' defiant, Page 3

Millions may starve

Sudan is on the brink of a famine worse than the one in Ethiopia in the mid-1980s, but the ruling military junta refuses to acknowledge the threat, relief officials and diplomats said.

Business Summary

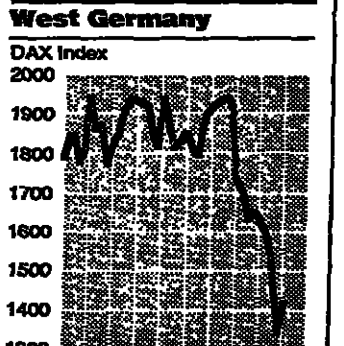
Airbus wins America West Airlines order worth $5bn

Airbus, European aircraft manufacturing consortium, made a new breakthrough in the US airline market with a $5bn order for up to 118 A320 aircraft from America West Airlines.

The latest deal comes on the heels of a $1.8bn order for 26 A320s from Swissair and an order from US carrier Northwest Airlines for the purchase of 100 A320s and 30 options on the A321. Page 24

MARKETS: European bourses moved up on the US budget pact, hopes for lower world interest rates and on technical considerations. Frankfurt's

West Germany



DAX index put on 6.4 per cent as the Bundesbank's average bond yield fell two basis points to 9.19 per cent. The DAX index closed 85.84 higher at 1,420.73. Back Page, Section II

RENAULT, French state-owned car maker, predicted a more than 8 per cent fall in profits for 1990 and said it was planning for a 3 per cent to 5 per cent decline in the European car market for 1991. Page 25

US Purchasing Managers' Index, most widely followed indicator of manufacturing sentiment, fell for the third successive month in September, to 44.4 per cent, the lowest level since December 1982. Page 24

SWEDEN's three leading finance companies, hit last week by a financial crisis, appeared to be heading towards a satisfactory solution of their problems following discussions with the companies' banks and owners. Page 25

FIFTEEN leading developing countries have suggested the establishment of a "comprehensive International Trade Organisation (ITO)" within the United Nations system. Page 4

SIEMENS-NIXDORF Informationssysteme (SNI), German computer company formed from Siemens' takeover of the ailing Nixdorf Computer, received a number of overtures from potential partners, its chairman said. Page 25

DAIMLER-Benz, West German engineering group, is planning to invest up to DM3bn ($1.9bn) in East Germany over the next two to three years, according to Edzard Reuter, Daimler's chairman. Page 7

MANUFACTURERS Hanover, Bell Atlantic and a group of Argentine investors are still having difficulty completing their bid to take over half of ENTel, Argentina's state-owned telephone company. Page 28

SKANDIA Group of Sweden is about to become the first European insurer to be listed on the London Stock Exchange via new European rules which provide for mutual recognition of listing procedures between EC member states. Page 26

WINTERSHALL, West German gas subsidiary of the BASF chemical group, has signed a significant deal with the Soviet Union for the supply of natural gas to East Germany and western Europe. Page 7

Tokyo unveils emergency package to support shares

By Stefan Wagstyl in Tokyo

THE NIKKEI index of leading Japanese stocks yesterday fell through the 20,000 level for the first time since early 1987, prompting the Ministry of Finance to announce a package of emergency measures to support the equity market.

News of the move pulled the Nikkei back above 20,000 in late trading and it closed a net 761.64 points down on the day at 20,221.86.

The market has now shed 48 per cent of its value from its peak at the end of last year, the biggest decline since it fell nearly 52 per cent during the Korean War in the early 1950s. "You can say it's a melt-down," said Mr Peter Tasker, research manager at Kleinwort Benson, the British merchant bank's Tokyo office.

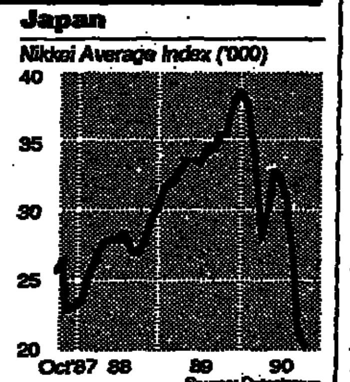
The Finance Ministry's measures include easing restrictions on trading on credit by private investors and on stock market investments by financial institutions. The ministry is also cutting the trading hours of the stock futures and options market, which is widely blamed in Tokyo for exacerbating price fluctuations in the stock market.

Announcing the package at a hastily-called press conference, Mr Ryutaro Hashimoto, the finance minister, also hinted that monetary policy should be adjusted to take account of the fall in stock prices. He said the risks to economic growth should be considered when shares were plumetting as they were now. Attention should be paid to fears of inflation, but greater heed should be paid to the risks of growth faltering, Mr Hashimoto said.

Ryutaro Hashimoto,

- **Credit limit on investors' purchases from a broker raised from 70 per cent to 80 per cent of the value of stocks deposited as collateral.**
- **Insurers to be allowed to invest up to 7 per cent of their assets, instead of 5 per cent, in "tokkin" funds, investment trusts which pay out capital gains as dividend income.**
- **Trading hours in stock futures and options reduced.**

Japan



Mr Hashimoto's remarks could signal the start of a new disagreement over monetary policy between the Finance Ministry and the Bank of Japan, which puts fighting inflation at the top of its priorities.

Earlier this year, the two institutions disagreed over the speed with which the central bank raised the Official Discount Rate at a time when stock prices were falling. Later, the the central bank and the ministry seemed to patch up their differences.

There was no sign of tension in August when the Bank of Japan raised the official rate for the fifth time in the past 18 months to 6 per cent .

The ministry's package is the first concerted attempt to support equities since prices started falling at the beginning of the year. In contrast to the crash of October 1987, there have been virtually no reports of the ministry trying to co-ordinate buying by large institutions.

Until yesterday, the ministry seemed to have accepted the central bank's argument that equity prices had been driven too high by investors taking advantage of easy credit in the years 1985-88. Tighter credit meant prices were bound to fall. However, the 20,000 line on the Nikkei index, breached yesterday, appears to have been a pre-determined trigger for ministerial action.

To boost buying by private individuals, the ministry will allow investors to buy on credit from a broker up to 80 per cent of the value of stocks deposited as collateral. The current limit is 70 per cent.

The ministry will also permit life and non-life insurers to invest up to 7 per cent of their assets – up from 5 per cent – in "tokkin" funds – special investment trusts which pay out capital gains as dividend income in a way which is advantageous for accounting reasons for financial institutions. The last time the tokkin limit was raised was in the aftermath of October 1987 when it helped to spark a rapid recovery in Japanese equities.

The ministry's third measure is to reduce trading hours in stock futures and options by 15 minutes in the morning and five minutes in the afternoon. Officials blame futures trading for exaggerating price swings, despite protests from US securities companies which have done much to develop the futures market in Tokyo. "They don't like the message so they shoot the messenger," said one foreign broker in Tokyo.

Although prices picked up on news of the ministry's plans, the mood in the stock market remains depressed. Investors believe that as long as interest rates in Japan stay high and fears of war persist in the Middle East there is little prospect of a sustained recovery.

Into the worst of seasons in Japan, Page 22; Lex, Page 24; Tokyo stock prices, Page 45; Market reports, Back Page, Section 2

Kohl warns of dangers within united Germany

By David Marsh in Hamburg and Leslie Colitt in Berlin

CHANCELLOR Helmut Kohl warned yesterday of the "fatal, if not catastrophic" risk that the united Germany would be split between "givers" in the west and "takers" in the east.

In a sobre speech to his Christian Democrat (CDU) party on the eve of German unity, which takes place at midnight tonight, Mr Kohl called for greater national solidarity among Germans to make a success of the merger of the two states.

But he also said that Germany must avoid becoming preoccupied with the problems of unification, warning that greater "international responsibility" would fall on the reforged nation.

The serious nature of his message was underlined by Mr Walter Momper, the mayor of West Berlin, who predicted that it would take up to 40 years for the united Germany to overcome deep differences in social attitudes and behaviour which developed between East and West Germany in their decades of separation.

Mr Kohl, who was re-elected as CDU chairman with a 98.5 per cent majority last night, pointed out that the view had gained ground abroad that Germany's support for European integration could suffer as a result of preoccupation with unity. "I say to all those who think this way that they should judge us according to our deeds," he declared.

On the subject which is worrying France in particular – reduced German enthusiasm for speedy European Monetary Union (EMU) – Mr Kohl however gave only a vaguely-worded commitment to bringing to a rapid conclusion December's inter-governmental conference on EMU in Rome.

A string of delegates from the East German CDU – which for years collaborated with the ruling Communist Socialist Unity Party – spoke effusively yesterday of their hopes and joy associated with German unity. In another milestone, the commandants of the Allied forces – US, British and French – bade farewell to their troops and bases in Berlin.

The departure of the commandants will culminate in today's lowering of Allied flags in Berlin and the relinquishing of sovereignty over Berlin to the German authorities.

Major-General Raymond Haddock, the US Commandant, said Allied forces would

Chancellor Kohl: seeking greater national solidarity

remain in Berlin until Soviet forces left East Germany in 1994, not as armies of occupation but in co-operation with a sovereign German state.

In a reference to growing unemployment east of the Elbe, Mr Kohl said heady expectations were mingled with "worries and fears." October 3 would nonetheless be "a great day for all Germans. We will not allow anyone to sour it," he said defiantly.

Mr Lothar de Maizière the East German Prime Minister, who will tomorrow become Minister Without Portfolio in the Bonn government, said a "dream" was being fulfilled and rejected "small-minded" anxieties about the costs.

Mr de Maizière was elected yesterday as Mr Kohl's sole deputy as CDU chairman.

On the question of the costs of unification, Mr Kohl said these could not be looked at without reference to the positive economic effects of unity for the whole of Europe.

However, Mr Kohl conspicuously avoided any direct pledge against raising taxes next year – an option which some leading CDU members have suggested may be necessary. Referring to the crisis in the Gulf, Mr Kohl repeated that the Government would seek a change in the constitution after the December elections to

Continued on Page 24

German unity, Page 6

Curtain falls on an artificial division, Page 22

Budget accord boosts US markets

By Our Economics and Markets Staff

STOCK MARKETS in the US and Europe rallied yesterday on news of the weekend agreement on the US budget and on raised hopes of a peaceful solution to the Gulf crisis.

The dollar weakened, meanwhile, on speculation that the budget accord could lead to lower interest rates.

US Treasury bond prices moved modestly higher on the budget news.

On hopes of an easing in Middle East tension, oil prices fell from their high point last week, when they touched $40 a barrel. In New York, crude oil for delivery in November fell $1.68 to $37.83 a barrel from Friday's close. On Wall Street, shares rose amid satisfaction that a deal – which could lead to a reduction in the budget deficit by up to $500bn over the next five years – had been agreed by congressional leaders and President George Bush, who later last night made a direct appeal to the Federal Reserve to lower US interest rates.

By midsession the Dow Jones Industrial Average stood at just over 2,500, up 55 points at the close on Friday and finished at 2,515.84, up 63.36.

Also behind the market upturn was a call over the weekend by Iraqi president Saddam Hussein for talks to resolve the Middle East crisis.

Stock markets in London, Paris and Frankfurt all closed well above Friday's closing levels, reversing some of the losses suffered last week.

In London the FT-SE 100 index closed at 2,030.9, up 40.7 points from Friday's close, while bourses in Frankfurt and Paris finished 6.4 per cent and 3 per cent up respectively. Trading was, however, thin with markets cautious.

Many traders termed the rise in European markets a technical rally, triggered by institutions buying shares at artificially low prices.

In London, sterling gained, as a result of the slump in the US currency. Against the dollar, the pound closed nearly 2 cents up at $1.8895. The dollar lost just over a pfennig against the German currency and just over a yen against the Japanese currency, closing in London at DM1.5515 and Y136.9.

In New York, sterling closed at 1.8830, up from Friday's close of 1.8783.

Budget deal faces tough reception in Congress, Page 24; Editorial Comment, Page 22; Lex, Page 24; Government bonds, Page 30; Currencies, Page 44; World Stock Markets, Back Page, Section Two

International group pays $970m for Home Insurance of US

By Robert Taylor in Stockholm and Nikki Tait in New York

AN INTERNATIONAL group of investors, including Trygg-Hansa, Sweden's second largest private insurance company, has acquired the US-based Home Insurance company, a subsidiary of the AmBase Corporation, in a deal said to be worth $970m.

The transaction comes after what amounted to an auction of Home Insurance, which was put up for sale by the troubled AmBase earlier this year.

In early August, Vik Brothers, a European "family-based" investor group, offered to buy Home in a package valued at $905m. This, however, triggered a rival approach from a US-based consortium which said it would be willing to buy 50.1 per cent of Ambase itself at $4 a share.

Negotiations have continued, and last week the US consortium withdrew its Ambase offer in place of a bid for Home. Yesterday, AmBase said that had been bettered by revised terms from Vik Brothers – which had subsequently joined forces with Trygg-Hansa, International Insurance Advisors and Donaldson, Lufkin & Jenrette, the US brokerage firm.

The consideration comprises $507m in cash. In addition, the Trygg-Hansa/Vik consortium is assuming $178m of corporate debt, while $285m of Home's preferred stock remains in place.

"We see this as a very good deal. The company has the right profile and is well managed," said Mr Björn Språngare, Trygg-Hansas president and chief executive officer. He added that it formed a part of the company's strategy of expanding into the international market.

The Swedish insurance company has undergone an extensive change in structure since September 1988, which included its listing on the stock market on December 8. Its annual gross premium income last year was about $2.3bn and managed assets totalled $15bn.

Home Insurance is a New York-based property/casualty insurer reckoned to rank 22nd in terms of net US premiums written. Last year its premium income amounted to about $2bn and its total assets to about $4.5bn.

It made a net profit of $169m, and $197m before tax. AmBase said yesterday that the company's "junk bond" portfolio amounted to $300m at the start of the year, although $136m of that had subsequently been written down.

Also included in the sale are two other Home subsidiaries, Gruntal Financial Corporation, a New York brokerage, and Sterling Forecast, which owns 18,000 acres of land with development potential in Orange County, near Manhattan.

AmBase has suffered problems for some time; its former

Continued on Page 24

The government-appointed wage conciliator in Sweden yesterday called on employers and trade unions to negotiate a national pay agreement for 1991 as soon as possible, as the economy moves rapidly into a severe cost crisis. Page 7

CONTENTS

Hopes rise as curtain falls on an artificial division

Willy Brandt, former West German chancellor, on why the expanded Federal Republic will be a stabilising factor in Europe - the Germans, he believes, will live up to their increased international responsibilities
Page 22

MARKETS

STERLING
New York lunchtime:
$1.889
London:
$1.8895 (1.8735)
DM2.9325 (2.935)
FFr9.825 (9.8225)
SFr2.435 (2.4325)
Y258.75 (259.0)
£ Index 93.5 (93.3)

GOLD
New York: Comex Dec
$391.6
London:
$396.5 (404.75)

N SEA OIL (Argus)
Brent 15-day Nov
$37.125 (38.125)

Chief price changes yesterday: Page 25

DOLLAR
New York lunchtime:
DM1.555
FFr5.2095
SFr1.2945
Y136.53
London:
DM1.5515 (1.566)
FFr5.20 (5.2425)
SFr1.289 (1.2985)
Y136.9 (138.25)
$ Index 82.4 (82.9)
Tokyo close: Y137.15

US lunchtime rates
Fed Funds $8\frac{1}{4}$%
3-mo Treasury Bills:
yield: 7.35%
Long Bond:
$96\frac{31}{32}$
yield: 8.87%

STOCK INDICES
FT-SE 100:
2,030.8 (+40.6)
FT Ordinary:
1,573.0 (+37.3)
FT-A All-Share:
979.09 (+1.8%)
New York lunchtime:
DJ Ind. Av.
2,502.97 (+50.49)
S&P Comp
3,1265 (+6.6)
Tokyo: Nikkei
20,221.86 (-761.64)

LONDON MONEY
3-month interbank:
close $14\frac{13}{32}$ ($14\frac{11}{32}$-$14\frac{13}{32}$)
Liffe long gilt future:
Dec $82\frac{25}{32}$ ($82\frac{21}{32}$)

CRISIS IN THE GULF

France denies negotiating with Iraq on Gulf conflict

By Ian Davidson in Paris

IRAQI insinuations that some form of negotiation on the Gulf crisis is under way between Paris and Baghdad have been roundly denied by the French government.

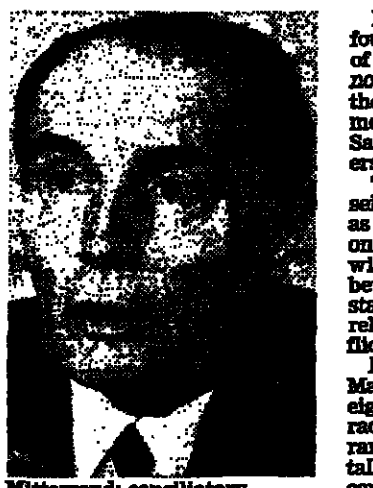
The Elysée Palace said yesterday that the only contacts between the two governments were of a purely routine diplomatic character, "without any form of relation to a negotiation".

The Iraqi claims were followed yesterday by an announcement by the official Iraqi news agency that nine French hostages would be released in Baghdad.

But the French presidential spokesman said the release of the hostages did not essentially change the situation, since France expected the release of all the hostages, French and foreign.

He said that the only diplomatic contacts between the two governments were concerned with problems "related to the unacceptable hostage situation".

The concidence between President François Mitterrand's slightly more conciliatory speech at the UN last week, the Iraqi allegations over the weekend, and yesterday's hostage release, could look like a French attempt to establish a special position in the Gulf crisis, in line with its long-standing policy of friendship with Baghdad.



Mitterrand: conciliatory

But western diplomats discount such suspicions, and suggest instead that it is probably Mr Saddam Hussein, the Iraqi president, who is trying to drive a wedge between France and its partners.

In any case, they point out, President Mitterrand's proposal of negotiations could only be operative after UN Security Council demands had been met – the release of all hostages and the withdrawal of all Iraqi forces from Kuwait.

Mr Mitterand put forward a four-point plan for a resolution of the Gulf crisis. The main novelty in his proposals was the careful avoidance of direct mention of restoring the al Sabah family as Kuwait's rulers.

The Iraqi leadership has seized on the French proposals as a positive gesture, focusing on the linkage, after an Iraqi withdrawal from Kuwait, between a resolution of outstanding Midle East problems related to the Arab-Israeli conflict.

In New York, meanwhile, Mr Mark Eyskens, Belgium's foreign minister, said in a Belgian radio interview that Mr Mitterrand's peace proposals did not tally with repeated calls in EC capitals for a joint foreign policy approach by the European Community, Reuter adds from Brussels.

The minister said there had been no EC involvement in Mr Mitterrand's proposals. "Some regard this French initiative as premature. I may personally add that the whole initiative was not considered within the European Community," Mr Eyskens said.

Mr Hosni Mubarak, the Egyptian president, yesterday also criticised Mr Mitterrand's plan for suggesting that elections be held in Kuwait after a possible Iraqi withdrawal.

French soldiers arriving in the Saudi port of Yanbu prepare to head for the Iraqi border area

Former SAS director to command British forces

A FORMER director of the Special Air Service, the British army's élite special forces unit, was named yesterday to take command of British military operations in the Gulf, writes David White, Defence Correspondent.

The announcement of Lt Gen Sir Peter de la Billiere's appointment came as the first elements of a 9,500-strong armoured brigade, the first British ground combat troops committed to the operation, were under way to serve alongside US marines in Saudi Arabia.

Extensive Middle East experience was clearly a big factor in the choice of Gen de la Billiere to command Britain's land, sea and air forces in the region.

British ground-based forces have so far been commanded by Air Vice Marshal Sandy Wilson, who will remain as number two. The appointment of a more senior overall commander reflects the sharp increase in the size of British forces committed to the Gulf – now about 15,000, plus about 2,000 medical personnel – and the need for UK representation at a suitable level in the emerging allied command structure.

The UK's 7th Armoured Brigade, which has begun shipping tanks and other vehicles and equipment from its northern German base, will operate alongside the US 1st Marine Expeditionary Force in Saudi Arabia's north-east coastal region.

Mr Tom King, defence secretary, said the location was appropriate for logistical reasons and the British force's heavy Challengers would complement the US marines' mostly lighter tanks.

The US is to provide attack and reconnaissance helicopters to support the British brigade.

The size of the UK forces has already been increased from the initial estimate of 6,000-8,000 men by the addition of logistic support units.

Mr King said command and control arrangements were being settled. Any use of British forces in combat would be decided jointly with the Saudis.

He added: "The command arrangements we have agreed provide for UK forces to be placed under tactical control of a US commander where this makes military sense."

Gen de la Billiere said he was confident about working with American forces. He expected to consult US commanders on a daily basis.

The general, who at 56 was on the point of retiring from the army, won the Military Cross in Oman in 1959 during an assault on Jebel Akdar, a rebel-held bastion. He also served in Aden, again in Oman as commander of SAS anti-insurgency operations in the southern province of Dhofar in the early 1970s, and in Sudan. He said yesterday that his knowledge of the Arabian peninsula "should help mutual understanding at the highest level".

Dubai looks doubtfully for the silver lining

Victor Mallet sees the emirate put on a brave face

IF THE optimists at the Chamber of Commerce are to be believed, Dubai will be to the Gulf crisis what Bangkok was to the Vietnam war, a safe haven for regional trade and – prostitutes excepted – a "rest and recreation" centre for foreign troops.

"Dubai", says one banker, "will always find an angle." A government official, watching the dhows plying their Gulf trade up and down the Creek which bisects the city, recalls the stability of the emirate during the Iran-Iraq war. "We've always managed to make the most of whatever happens in the area," he says.

No-one can doubt Dubai's commercial ingenuity and flexibility. The airport now has a duty free shop for *arriving* passengers. Next year's "Dubai 91" was transformed with uncanny foresight from a simple international air show into an aerospace and defence exhibition (including military equipment for land and sea) shortly before the Iraqi invasion of Kuwait on August 2.

A fortnight ago the Dubai ruling family announced plans for a multi-million dollar leisure development by the Creek, including a 300-room, five-star hotel, a championship-standard golf course to be irrigated with desalinated water, a golf academy and a 150-boat marina. Work has already begun and the project should be finished in 18 months.

Negotiations to secure gas supplies for Dubai's power stations and fledgling industries in the Jebel Ali free zone are continuing.

Dubai, in short, is putting on a brave face after the shock of the Iraqi invasion. "It's just a matter of time and everything will go back to normal," says Mr Abdulla Abulhoul of the Dubai Chamber of Commerce and Industry.

Thousands of foreigners fled the UAE at the start of the crisis, and many dependents are still abroad, but the schools for foreign children are now filling up as the new term gets under way.

Business throughout the emirates, however, is far from normal. An economy which was booming on August 1 has suddenly run out of steam. Dubai and the UAE as a whole profit from higher oil prices, but the Dubai emirate's policy of reducing dependence on its own diminishing oil reserves by investing in industries and services is now threatened by the world's lack of confidence in the Middle East. "It's a time for getting on with your feasibility study and then not taking a decision," says one banker.

Investment plans are on hold and credit is hard to come by. The number of business visitors has declined sharply, leaving hotels and aircraft half empty (despite an initial boost to air traffic caused by the flow of refugees and the diversion of flights from the northern Gulf). Housing rents have stopped rising, despite the influx of Kuwaiti refugees.

"We are losing money like hell," says one manager for a European airline which is considering the suspension of flights to Dubai. According to a local businessman, it is a case of "In God we trust – strictly cash please".

Tourism, a new industry for Dubai which attracted 20,000 visitors last year, has been severely affected by cancellations. Some holidaymakers have refused offers of two weeks for the price of one.

Trade, Dubai's life-blood, is suffering too, although Iran with its growing oil revenues is likely to become an increasingly important destination for re-exports.

The UAE authorities have so far failed to persuade Lloyd's underwriters to discriminate between the northern and southern Gulf in the application of war risk premiums, a severe blow to Dubai's air and sea re-export trade. Only the

Dubai merchants are sitting on 1,800 containers destined for Kuwait. Advertising agencies have been hit hard because Kuwait was a big spender for the industry, while BP in Dubai was unlucky enough to import refined oil from Iraq for processing into lubricants and to export much of its output to Kuwait.

Banks are still trying to recover from the outflow of money which accompanied the post-invasion panic of early August. Mr Abdul-Malik al-Hamar, the central bank governor, says commercial bank deposits fell by only about 6 per cent up to August 15, while bankers estimate that the average drawdown could have been as high as 20 per cent, a situation which was probably alleviated by injections of liquidity from the authorities and "gifts" of hundreds of thousands of dirhams to Abu Dhabi citizens to deposit in their accounts.

Foreign banks were generally able to place transfers from dirhams into dollars with their affiliates abroad, while local banks with government shareholdings received government deposits, leaving private local banks with the most severe problems.

Mr al-Hamar last week said the crisis confirmed the long-acknowledged need for mergers between the weaker banks. What the UAE's commercial bankers fear now is another round of capital flight if war breaks out in the Gulf, and they hope the region's central banks have drawn up adequate plans to co-operate in an emergency.

"Business as usual" is the official cry in the UAE, but everyone knows it is not entirely true. One foreign businessman in Dubai has a four-wheel-drive vehicle at the ready and packed with fuel, water and gas masks in case he needs to escape. However much he may be exaggerating the physical dangers of life in the UAE, such precautions can scarcely inspire confidence in a potential investor.

Israel to begin issuing gas masks to civilians

By Hugh Carnegy in Tel Aviv

THE Israeli authorities, concerned by threats of attack by Iraq, said last night that protective kits against chemical weapons were to be issued to all Israeli citizens.

The army stressed that the measure was precautionary and did not constitute "the change to an emergency status".

However the government evidently decided at a cabinet meeting on Sunday that recent threats by Baghdad to attack Israel as well as Middle East oilfields warranted distribution.

The authorities have made it clear they treat the threats seriously and do not rule out a strike at Israel by Iraqi missiles which could carry chemical weapons and against which the defence forces have virtually no defence.

The government has resisted public pressure in the early stages of the Gulf crisis to take such a step, which involves the distribution of more than 4.5m gas mask kits stockpiled by the army, for fear of inducing public panic or suggesting Israel planned a pre-emptive strike.

The army said the decision contained no such signal. Officials said it was in line with a decision taken months ago to provide the population with gas masks, though implemented earlier than planned.

NEWS IN BRIEF

Iran in talks on renewing Saudi links

MR Ali Akbar Velayati, the Iranian foreign minister, and his Saudi counterpart, Prince Saud al-Faisal, met in New York to discuss resumption of diplomatic relations 2½ years after they were severed, Iran's official news agency said yesterday, AP-DJ reports from Nicosia.

IRNA said the meeting took place on Sunday at the United Nations headquarters. The two foreign ministers also discussed the Gulf crisis. It was the first time that ranking officials from the two countries have met since the rupture of ties.

IRNA said Mr Velayati told Prince Saud that the main obstacle for resumption of relations was the dispute over the number of Iranians allowed into Saudi Arabia to worship at Islam's holiest shrines at Mecca and Medina.

Jordan bans trucks

Jordan banned trucks bound for Saudi Arabia or other Gulf states from crossing its territory yesterday, a security official said, Reuter reports from Amman.

He said the measure was in reprisal for Riyadh's refusal to admit Jordanian trucks taking goods to Saudi Arabia and the Gulf and was the latest sign of worsening relations between Jordan and Saudi Arabia since the Gulf crisis began.

British spurn nuclear weapons

British forces will not use battlefield nuclear weapons to reply to an Iraqi chemical attack, the commander-in-chief of the British Army on the Rhine said yesterday, PA reports from Bremerhaven. "It's never ever been even suggested to me," added General Sir Peter Inge. Sunday newspapers reported an unnamed senior officer as making the suggestion.

Air India costs airlift

The airlift of 170,000 Indian refugees from Kuwait and Iraq will eventually cost more than Rs3bn (£88m), Air India disclosed yesterday, writes Paul Abrahams in London.

The operation, which has involved 337 specially chartered flights carrying about 80,700 refugees, has already cost about Rs2bn. At least 300 further trips will be needed over the next four weeks to transport the remaining 90,000 refugees still in the area, according to Mr Jitender Bhargava, chief public relations manager at Air India.

Thatcher proposes reparations

Mrs Margaret Thatcher, the British prime minister, is seeking the support of other members of the UN Security Council for a new resolution which would oblige Iraq to pay reparations for its actions in Kuwait, writes Robert Mauthner in New York.

Mrs Thatcher put forward her proposals in talks with US President George Bush on Sunday and the Emir of Kuwait, Sheikh Jaber al-Ahmed al-Sabah, yesterday.

Venezuela seeks oil price talks

VENEZUELA, which has the largest reserves of crude oil in the western hemisphere, last night proposed an urgent conference of producer and consumer nations to consider measures to stabilise petroleum prices, Michael Littlejohns, UN Correspondent, writes.

President Carlos Andrés Pérez made the proposal in an address to the UN General Assembly. He said the conference should be under UN auspices and be preceded by meetings of Opec and the International Energy Agency.

Neither Opec nor the industrialised world could allow abrupt oil price increases, he said. Nor could they tolerate equally abrupt drops in price once the Gulf crisis was over.

"Such excessive fluctuations are harmful to us all, consumers and producers alike, and only favour speculators who do not care much about the well-being of nations or the world economy," he said.

Alarmed by the effects of soaring oil prices on the poorest countries, UN officials were enthusiastic about his proposal. But they also observed that the Gulf producers as well as the US and Britain had been cool in the past to UN involvement in pricing arrangements.

However, Venezuela's ready agreement to a recent request by Washington to raise its production to 2.5m b/d might influence reaction to Mr Pérez's initiative.

● Oil prices fell yesterday following calls by Iraqi President Saddam Hussein for dialogue to resolve the Gulf crisis, writes Steven Butler in London. North Sea Brent crude oil for November delivery was trading about $1.30 a barrel lower at $38.15.

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AMERICAN NEWS

Ministers prepare for European security summit

By Robert Mauthner, Diplomatic Editor, in New York

FOREIGN ministers from 35 Western and Eastern European countries, the US, the Soviet Union and Canada began a two day meeting yesterday to lay the foundations of a new European security structure.

The Ministers' task is to prepare the ground for a summit of the 35, due to be held in Paris next month, on condition that an agreement is reached before then in Vienna on conventional force cuts in Europe.

Though not all the obstacles to the co-called CFE agreement have been overcome, Western delegates said that sufficient progress had been made to make it virtually certain that the summit would take place.

The Western countries see the future pan-European structure, known as the Conference on Security and Co-operation in Europe (CSCE) principally as a consultative framework for promoting stability in Europe following the end of the cold war.

It will provide a forum where the 35 member states can come together on a regular basis to discuss common problems ranging from security matters to economic issues and human rights.

However, in the eyes of the members of the Western Alliance, the new organisation is not intended to replace Nato as the principal body for ensuring the West's security.

"It cannot offer collective security guarantees, so it must develop in parallel with Nato," British officials said. Nor should it attempt to merge economies like the European Community does, or have regulatory functions.

Western officials also see the new structure as helping to consolidate democracy in the countries of central and eastern Europe which have recently thrown off the Communist yoke, as well as assisting these countries in making the transition from centrally planned to market economies.

The ministers are expected to draw up a blueprint for the Paris summit under the following broad headings:

- An enhanced programme of consultation between foreign ministers and senior officials meeting once or twice a year, as well as periodic heads of governments meetings.
- The creation of a small permanent secretariat of some 10 to 15 officials, possibly to be located in an Eastern European country. Czechoslovakia is very keen to host this secretariat and will probably win the support of most of the Western countries.
- The setting up of a parliamentary body enabling members of parliament from the 35 member countries to meet at regular intervals, as they do in Nato.
- An election monitoring process to ensure that elections are held on the basis of democratic principles and procedures.
- The setting up of a conflict prevention centre. The UK has also proposed that a conciliation mechanism for settling disputes between member countries should be set up.

The meeting, which was opened by US President George Bush yesterday, was preceded by a ceremony at which the foreign ministers of the four Second World War allies – the US, Britain, the Soviet Union and France – signed a document suspending their residual rights and responsibilities for Germany and Berlin upon the unification of Germany tomorrow.

These rights and responsibilities will finally lapse once the Treaty on the final settlement on Germany, concluded by the four allies and the two Germanys in Moscow on September 12 has been ratified by the respective parliaments.

Collor keeps firm grip on political initiative

Brazil's voters are set to back the president's policies, reports Simon Fisher

THE man who has most at stake in Brazil's elections for state governors, congressmen and senators has been out of the country during the last fortnight of campaigning.

President Fernando Collor de Mello will be flying back from an extensive foreign trip when 84m voters go to the polls tomorrow. He is betting his finely honed media presence will win votes for his supporters, and has kept at a distance from a contest that has overwhelmingly failed to excite the nation.

After many hungry years, Brazilians are in danger of overdosing on democracy; there have been six elections in eight years and another seven elections and one referendum are planned by the end of the decade.

None the less, Mr Collor needs reliable support in the new legislature if his ambitious programme to overhaul the Brazilian state apparatus is to go ahead. But he also has a hidden agenda: this congress will have a mandate to review the 1988 constitution. Mr Collor's administration wants to make an impact on the political level to match the economic bombshell it dropped on taking office last March by introducing its radical economic plan.

The president will not win a clear majority, but opinion polls suggest voters will favour candidates broadly following his policies.

Predictions also suggest the trend which emerged during last year's presidential elections – with increasing support for individual candidates, rather than the parties they represented – will repeat itself.

The weakness of the traditional parties is the most striking political feature

President Collor: needs reliable support in new legislature

in post-military Brazil, with the sole exception of the old Liberal Front Party (PFL). This was discredited after years of docile opposition under the generals, but is set for a resurgence which could secure it the lion's share of state governorships.

Voters seem to be leaning towards candidates with a proven record in government, giving the PFL an unexpected new lease of life.

Mr Collor was an obscure governor who was swept to power on a flimsy party base. Until now he has held together enough of a loose coalition of congressional allies to push through the core of his programme, but his support is fragile and the government has fallen apart at crucial moments.

Yet after six months in office it is clear Mr Collor has a firm hold on the political initiative in Brazil. His programme has borrowed from both right and left and – despite economic shock treatment which has plunged the country into recession, slashed real wages, and so far failed to control inflation – most people appear to accept the need for medicine, even if they criticise the authoritarian manner in which it is administered.

At 41, the country's youngest-ever president is ready to launch a bid to become the grandfather of Brazilian politics. Ministers are already floating the idea of a new party which would be launched after the elections. Mr Collor's self-styled "New Brazil" administration would seek to win defectors to a modern social democratic party along European lines. And apart from the congressional review of the constitution, a referendum is also scheduled in 1993 to decide what form of government Brazil will finally adopt.

Again stealing a banner from the left, Mr Collor, who is not eligible for re-election under the present constitution, has made clear his support for a parliamentary system. It would not be unfair to guess he sees himself in the prime minister's chair.

The 1993 constitutional review was originally intended to offer an opportunity to fine-tune details of Brazil's transition from military dictatorship to democracy. But the indications are it is likely to be more far-reaching.

In particular, Mr Collor is thought to favour removal of remaining restrictions on foreign investment in Brazil – including at least some areas of the state oil monopoly – and redrawing the relationship between state and federal governments.

Just 10 days ago the government closed several state banks, in a clear warning that state governments would not be allowed to escape the federal austerity drive.

The big loser in the elections is likely to be the left. The Workers Party (PT), whose standard-bearer Mr Luis Ignacio Lula de Silva came within a few percentage points of pipping Mr Collor for the presidential post, has been unable to repeat that show of strength.

Cuba seeks custody of fugitive in embassy

CUBA'S foreign ministry said yesterday it hoped the Canadian embassy in Havana would hand over an escaped prisoner who sought refuge there last Friday, Reuter reports from Havana.

The ministry said the man, Mr Orlando Patricio Dominguez de la Coba, was serving a 30-year sentence for stealing arms, kidnapping two US tourists and wounding one of them in 1983.

Canadian embassy officials have been trying to check the identity and story of the fugitive prisoner. Police and militiamen were yesterday guarding the mission.

The fugitive prisoner, who has only one arm, escaped to the embassy while being taken to a clinic to be fitted with an artificial limb. The Cuban foreign ministry said his arm was amputated because he had injected himself with oil stolen from a prison workshop in an effort to make himself ill.

In July and August, more than 50 Cubans sought refuge at a number of European embassies and residences in Havana. All eventually surrendered after the government refused permission for them to travel abroad. The authorities said no charges were pending against those asylum-seekers.

Small companies win 'pro-growth' tax deal

By Nancy Dunne in Washington

PRESIDENT George Bush's budget negotiators succeeded in winning approval for a "pro-growth" package of tax breaks designed to benefit small and medium-sized companies, even though he abandoned his capital gains tax cut.

The incentives will go to corporations with less than $50m (£26.5m) in equity, engaged in active business, but which do not manage real estate or finance. Investers in these stocks will be allowed tax deductions on one quarter of the purchase price, up to $50,000.

Although this provision is expected to cost $7.3bn in taxes over the next five years, the cut could spur investment in entrepreneurial new technologies and service industries, where capital formation has been a problem. This is a goal majorities in both political parties tend to support.

As an additional lure, investors who buy stock in these companies will not have to pay taxes on gains deemed to be the result of inflation.

Small and medium-sized companies will receive other tax advantages directly. They will be allowed to count certain investments as expenses and write them off for one year. In 1991 they will also get a 30 per cent credit for research and development.

Mr Stuart Rabinowitz, president of Fiscal Planning Services, in Washington, said while the new tax breaks could open new loopholes, they would help investors.

"The specific language isn't written yet," he said. "If the bill is written cleanly it offers the potential for productive investment."

Tax purists complain these breaks mark an about-face in the 1986 Tax Reform Act, which attempted to close loopholes for "special interests". However, the American tradition of using the tax code to encourage social and economic goals has prevailed.

Nicaragua's economic plans prompt protests

By Tim Coone in Managua

NICARAGUA'S powerful National Workers' Front (FNT) began a campaign of civil disobedience yesterday over the government's economic adjustment plans, which are an orthodox mix of deep public spending cuts, privatisations and public utility price rises.

The campaign began with demonstrations, factory occupations, and a call to householders not to pay their water and electricity bills.

A left-wing radio station in Managua which had become the mouthpiece of the FNT and the radical tendency of the Sandinista opposition was burned down on Sunday night, as the government called for calm and urgently appealed for international economic aid.

Bursts of automatic rifle fire could be heard in the city's eastern suburbs although no casualties were reported.

The FNT has rejected government calls to discuss the plans, accusing it being unwilling to negotiate the issues of greatest concern to the unions.

Mr Antonio Lacayo, the minister of the presidency, said at the weekend: "We are in a very difficult situation, possibly one of the most difficult in the world".

He urged the unions to join talks on the proposals. "The dialogue is not to modify the plan, but to discuss how to implement the economic measures while guaranteeing the protection and relief of those sectors most affected by it".

Government officials, however, acknowledge that they lack the resources to give such guarantees without resorting to printing money - once again fuelling a hyper-inflationary cycle. The problem will be compounded by an expected influx of 70,000 returning refugees between now and December.

Last week President Violeta Barrios de Chamorro appealed at the UN for international aid in a move aimed at maintaining welfare programmes and creating jobs while pushing through the government's privatisation plan and cutbacks in defence and central government spending.

In July a general strike organised by the FNT against economic policies brought the country to the verge of civil war when armed left and right-wing groups clashed on picket-lines and barricades.

The climate of instability has been heightened by Mrs Chamorro's temporary absence from the country and her refusal to designate powers to Mr Virgilio Godoy, the vice-president, who says he has the constitutional right and duty to exercise presidential powers in Mrs Chamorro's absence.

Intense political rivalry exists between the hard-line Mr Godoy, and the more moderate Mr Lacayo, Mrs Chamorro's senior cabinet minister.

If riots break out during the week as the FNT increases pressure on the government, a constitutional crisis could ensue, with the left-wing army and police siding with Mr Lacayo rather than Mr Godoy.

WORLD TRADE NEWS

Salomon agrees $100m Siberian oil joint venture

By Alan Friedman in New York

PHIBRO Energy, the oil trading subsidiary of Salomon Brothers, has agreed a large-scale joint venture oil and gas development project in western Siberia that envisages output of up to 800m barrels of proven recoverable oil reserves over 25 years, starting in the middle of 1991.

The deal is expected to see an initial Phibro investment of more than $100m and involves a 50-50 *partnership* in the White Nights joint venture with Varyeganneftegaz, a Soviet state-owned oil producing association based in the western Siberian town of Raduzhny. The plan is for output of around 150,000 barrels per day after five years.

Phibro's partner on the US side of the venture is Anglo-Suisse, a small Texas-based exploration company that originally arranged the Soviet deal and offered it to Phibro.

Although well-known US companies have other Soviet oil deals in the works, Phibro says the White Nights venture is the first actual oil production project between American companies and Soviet producing organisations in the oil-rich western Siberian basin.

Phibro will have majority control of the US side of the joint venture and has bought a 10 per cent stake in Anglo-Suisse, with an option to increase the shareholding to 30 per cent over the next year.

The US partners will contribute capital and technological know-how for the eventual drilling of about 550 new horizontal wells in the project area and the recompletion of 100 shut-in wells.

Phibro and Anglo-Suisse, a Houston company that is essentially a deal finder, will arrange to subcontract the drilling. *The Soviets* and Americans will share equally the total drilling costs over the next 25 years, which could amount to more than $1bn.

The two fields in western Siberia were discovered in 1978 and 1987 but the Siberian oil production authorities have lacked technology and capital to develop the basin. Phibro Energy, which claims to be the world's largest crude oil trader, is also the fourth biggest US refiner, with daily capacity of 330,000 barrels.

Soviet bank wins rare $20m credit

By Peter Montagnon, World Trade Editor

MORGAN GRENFELL has arranged a rare $20m (£11m) credit for the Soviet Bank for Foreign Economic Affairs which is to be used to finance the *import of IBM personal* computers.

The bulk of the 6½-year credit is backed by the Export Credits Guarantee Department, although it also contains a $3m tranche on purely commercial terms which carries a margin of 1½ percentage points over London Eurodollar rates.

The size of the margin indicates how market conditions have stiffened against the Soviet Union since last year when it was able to borrow at a premium of just ¼ percentage point over money market rates.

However, bankers caution that even the high rate for this deal may not be typical as the loan involves a lucrative export credit tranche and the funds are being provided by just two banks – Morgan Grenfell and Midland.

Syndicating larger deals has become difficult, not only because of the Soviet Union's well-publicised economic problems but also because banking appetite for international business has dwindled in the wake of the Gulf crisis.

UK battleground for EC credit insurers

Peter Montagnon considers the impact of liberalisation of mass risk business

THE UK is emerging as the principal battleground for expansion-minded credit insurance companies following liberalisation of mass risk business under a European Community directive that came into force in July.

Brokers say that both NCM, the Dutch credit insurance agency, and Hermes of West Germany have begun actively seeking new British company customers in both the domestic *and export credit insurance* market.

But traditional British credit insurers such as Trade Indemnity, the private sector company which dominates the domestic credit insurance market, have as yet shown little additional interest in taking on fresh business on the Continent, says Mr Nigel Bovingdon of the Credit Insurance Association brokerage house.

Industry executives say it had long been expected that the UK market would be one of the first to be hit by increased competition as a result of liberalisation. Not only is the corporate financial *information*, which underwriters need to assess credit risk, readily available in Britain. The UK also has a well developed brokerage industry which makes it easier *for new entrants to sell their* products.

By contrast brokers are less active on the Continent, playing virtually no role in the West German market. Though specialist brokers are *active in* the French credit insurance market, most have strong ties to French credit insurance agencies which makes them reluctant to push foreign products. *Italy meanwhile* has yet to implement the insurance directive, though it says it will do so by the end of the year.

With the exception of specialist niche players such as Pan Financial Insurance,

Difficult for outsiders to gain a toehold on the Continent

which concentrates on offering limited catastrophe and insolvency cover, it is thus still difficult for outside credit insurers to gain a toehold in the European market.

Pan Financial has had an *office in Paris since 1987* and is in the process of establishing a presence in Frankfurt.

Traditional credit insurers, who need to offer a more comprehensive service to cover their information technology and data-base overheads, face a much tougher struggle. They must compete head-on with established players in the national European markets. In *this category* are both Trade Indemnity and the Export Credits Guarantee Department (ECGD) of the UK, whose room for international manoeuvre will in any case remain limited until its short-term insurance division is privatised next year.

Brokers say that the activities of Hermes and NCM mean that both these concerns now have to focus on defending their home market as well as plan their expansion into Europe. The main thrust of the European attack currently appears, however, to be on the Trade Indemnity's domestic credit business. Mr Colin Foxall, ECGD *Director* in charge of short-term commercial risk insurance, says the continental agencies have not taken any business away from his department yet.

Some in the industry also expect competition to emerge soon from a new alliance forged between Coface, the French official export credit agency, and Société Française d'Assurance Credit (SFAC) which operates in the local domestic credit market. Coface has long been known to be discreetly eyeing the British market, and now the two agencies have formed a joint venture, known as a *groupement d'intérêt économique* under French law, which plans to offer Europe-wide credit insurance.

Though there is no evidence of this French venture yet having an impact on the British market, UK insurers are already becoming wary. "At least, they have the vehicle," says Ms Bridget Spreckley of Trade Indemnity.

Mr Christopher Price of brokers Sedgwick James notes, meanwhile, that both Hermes and NCM still retain a degree of caution, despite their higher profile in the UK.

So far there has been no general rate cutting war in Britain

The economic downturn has *made them* selective about what risks they are willing to underwrite. Though they are offering commercial risk insurance on exports to industrial countries, they are also steering clear of insuring payments risk in developing countries, leaving this up to ECGD.

The result is that their reinforced presence on the UK market has not yet led to a general rate cutting war. In fact the deteriorating economic climate is tending to push rates higher for domestic credit insurance. "Selectively by trade sector we are selectively pushing rates up," says Trade Indemnity's *Ms* Spreckley. In some cases, brokers say these premium increases may offer the new European competition an opportunity to pick up business that has become less attractive to Trade *Indemnity* because the companies concerned have established a record of submitting claims.

Another, and potentially more serious possible impact of increased *competition*, however, may eventually be a polarisation of rates with premiums for better risks being cut as the new foreign competition seeks to cream the best *business off* the top of the market. That would make it harder for the British firms to maintain a balanced and profitable portfolio of risk on their books.

For Trade Indemnity, however, there is a small consolation in the new competitive environment. It has already stated publicly that it is in the market to buy the short term insurance operations of ECGD in next year's privatisation. In some parts of British industry this has given rise to concern that it could acquire an effective monopoly in both the export and domestic credit insurance sectors. Now it can at least rebut such criticism by pointing to the growing competition from abroad.

Leading developing countries urge UN world trade body

By William Dullforce in Geneva

FIFTEEN leading developing countries have suggested the establishment of a "comprehensive International Trade Organisation (ITO)" within the United Nations system.

The proposal, voiced after a meeting of foreign ministers in New York last Friday, is a response to suggestions by Canada and other industrial nations that the General Agreement on Tariffs and Trade (Gatt) should be converted into a fully-fledged multilateral trading organisation at the end of the Uruguay Round trade negotiations.

The developing countries have revived an idea abandoned in 1948, when the US Congress refused to accept the establishment of an ITO governing world trade alongside the International Monetary Fund and the World Bank. Even after 40 years of existence Gatt is formally no more than a provisional contract run by a secretariat hired by a moribund interim committee.

Industrial nations, including the European Community, have been discussing how the ambitious results hoped for in the Uruguay Round, such as liberalisation of trade in agriculture and services, could be incorporated into a new institutional structure.

In a statement issued by Mr Reinaldo Figueredo, Venezuela's foreign minister, the 15 developing countries said the proposed regime could "legitimise a system of managed trade" rather than promote full liberalisation.

Instead, they suggested, advantage should be taken of the improved climate in international relations and the strengthened support for the UN to discuss establishment of an ITO. The matter could be taken up at the current session of the UN General Assembly.

The 15 nations are Algeria, Argentina, Brazil, Egypt, India, Indonesia, Jamaica, Malaysia, Mexico, Nigeria, Peru, Senegal, *Venezuela, Yugoslavia and* Zimbabwe. They include countries whose backing for the results of the Round is particularly important for the industrial nations.

Mr Figueredo also listed the objectives the 15 had agreed to pursue during the final stages of the Round. They included:

- Substantial concessions on market access issues that would expand opportunities for developing countries' exports.
- An agreement on safeguards (the protective measures governments can take under Gatt against sudden surges of imports) that would exclude all possibility of discriminatory action; this would be complemented by rules for anti-dumping and countervailing action that would "eliminate the scope for harrassing" developing *countries' exports*.
- A multilateral framework for trade in services that would help to enhance the international competitiveness of service companies in the Third World.
- Agreement on intellectual property rights that would facilitate developing countries' access to technology and their pursuance of social objectives.
- World farm trade reforms that would provide developing countries with improved access to markets, acknowledge the developmental role of agriculture in their economies and mitigate any negative impacts on net-food importing countries.
- Agreement on the phasing out of the Multi-Fibre Arrangement and the re-integration of trade in textiles and clothing into Gatt rules.
- Rules on foreign investment that recognised the right of developing countries to impose conditions on foreign investors intended to promote development and enhance competition.
- Continued flexibility for developing countries in difficulties with their balance of payments to invoke Gatt provisions that allow them to restrict imports.

The 15 said they were ready to negotiate in a constructive spirit and with a sense of urgency. Their ministers in charge of Gatt affairs will meet in Geneva on November 5 to "prepare a major contribution" and proposals for moving the Round forward.

Gatt panel rules against Thailand

A GATT disputes panel has *ruled* that Thailand's prohibition on imports of cigarettes from the US violates the provisions of the General Agreement, reports William Dullforce

It recommended that Bangkok amend its Tobacco Act to bring it into conformity with Gatt rules. Thailand operates a cigarette monopoly.

However, the panel rejected a US complaint that Thai excise, *business* and municipal taxes on imported cigarettes were inconsistent with Gatt.

The taxes complied with Gatt's "national treatment" principle under which charges on *imported goods* must not exceed those applied to corresponding domestic products,

The US had complained that, except for one shipment in 1980, the Thai government had allowed no imports of US cigarettes since 1976.

FFr500m hotel for Monaco

CREDIT COMMERCIALE de France (Suisse) is to lead a project for the construction of a five-star, 400-room hotel with a new casino in the principality of Monaco, reports William Dullforce from Geneva.

The total cost will be between FFr500m (£51m) and FFr700m acording to Mr Claude Le Ber, CCF (Suisse) director.

Under a letter of intent signed with the *Société* des Bains de Mer (SSB), CCF's branch in Geneva will be responsible for arranging the finance

SSB will run the casino. Mr Michel Pinseau is to be the architect. The hotel will be adjacent to the celebrated Monte Carlo Sporting Club on the Larvotto peninsula. The project aimed at creating the *most attractive and luxurious* resort on the Mediterranean coast, Mr Le Ber said.

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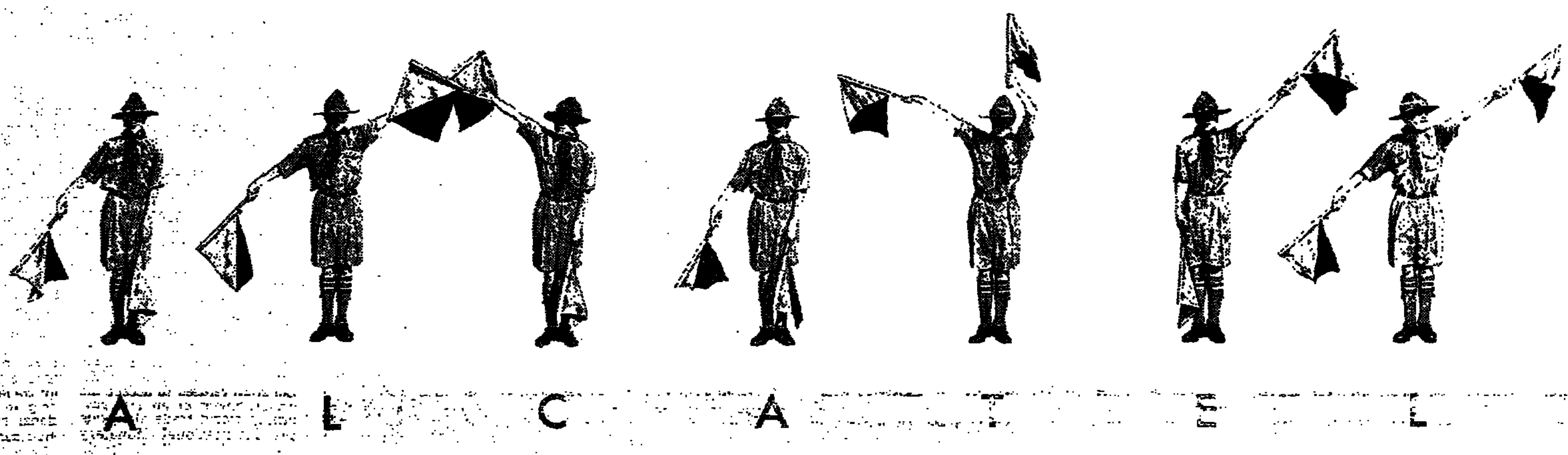

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GERMANY UNITES

From ruin to reunification

THE Second World War laid waste much of Germany, and the ruins of Dresden (far left) illustrate the legacy of conflict inherited by the divided country. By the sixties, however, West Germany had far outstripped its eastern neighbour. Its prosperity proved such a powerful attraction to citizens from the east that the border was sealed by the Communists, preventing all but the lucky from crossing (centre). Almost three decades later, the wall came down — parts of it dismantled personally by a delighted populace.

■ STRONGER BONDS WELD GERMANY'S DISPARATE STATES TOGETHER ONCE MORE

Economic strength proves irresistible

By David Marsh

"GERMANY IS like a fine, vigorous stallion, with fodder and everything it needs. But it lacks however a rider" — Martin Luther.

"Let us put Germany into the saddle. It will be able to ride all right" - Otto von Bismarck.

The new Germany being created on the stroke of midnight tonight will be, like most forms of the German nation throughout history, an amalgam of disparate states. In past centuries the patchwork threaded together by strategem, bribes or tyranny tended to tear under strain. Germany's leaders have either been too strong - or not strong enough.

This time, however, the fabric looks more resistant. It has been the gravitational force of West Germany's prosperous democracy which has pulled in, worn down and ultimately taken over hapless East Germany, not the mechanical power of armies.

The speed has been breathtaking. Less than a year ago — on October 6, 1989 — Mr Erich Honecker, the former East German leader, railed in East Berlin's Palace of the Republic against "influential forces in the Federal Republic" aiming a coup against East Germany. "Socialism on German soil is (for these people) so intolerable," he declared with shrill septuagenarian petulance, "because the previously exploited masses have proved that they can determine their fate without capitalists."

Twelve months later, Mr Honecker is languishing in a Soviet military hospital. The wall he built in 1961 has all but disappeared, washed away by a wave of D-Marks. The Soviet army will be leaving by 1994. And the concrete-and-glass Palace of the Republic, built on the site of the Hohenzollern kings' Berlin residence, has been closed down, probably permanently, by an asbestos scare. As Chancellor Helmut Kohl put it a few months ago: "For a long period, East Germany appeared as a monolith. But it was a house of cards; and it simply fell down."

The resurgent German nation has 79m people (of whom around 5m are foreigners), made up of 63m from West Germany and 16m from East. The population gap with France (56m), Britain (57m) and Italy (58m) *will widen significantly, but not* alarmingly. Germany's share of European Community population goes up from 19 to 23 per cent. The country's formal name remains Federal Republic of Germany, but increasingly it will be called simply Deutschland.

Its area rises by around 43 per cent, to 138,000 square miles. West Germany was less than half the geographical size of France; the new Germany will be two-thirds the size of its western neighbour — and nearly half as big again as the territory of the United Kingdom. (The *Soviet Union, though, is 60 times* larger).

In military terms, a united Germany will be weaker. Its army is to be cut to 370,000 men over the next few years, compared with the present strength of 490,000 of the West German armed forces, the Bundeswehr. Most of East Germany's National People's Army will be dissolved, although the West Germans will now have the chance of taking over the most efficient weapons and equipment.

Economically, West Germany was already western Europe's dominant power, with 25 per cent of EC gross national product. Germany's percentage share of EC gross national product will now rise to about 28 per cent.

Whatever the medium-term prospects for East German recovery, the new Germany, initially, will be poorer than West Germany. Living standards and productivity in the *East are less than half those in the* West. East German GNP will fall by at least 10 per cent both this year and next, in an inevitably brutal *adjustment*. The combined German GNP growth rate will be no more than 2-2.5 per cent next year, even assuming that growth remains at around the current 3.5-4 per cent in the West.

Germany will become more polarised, and, at least to start with, more worried. A poll published last month by the Allensbach opinion research *institute suggests that* 54 per cent of the East German workforce fear losing their jobs in the next six months. In the weeks following the introduction of the D-Mark on July 1, 66 per cent of East Germans said they were "anxious" about developments in East Germany.

A major question mark is whether German federalism will continue its four decades of success now *that the number of Länder* (states), all involved in the political decision-making process, rises from 11 to 16 (including Berlin, now a *proper city-state again*). Many Germans, as well as some foreign observers, believe that the guiding principles of federalism would be damaged irreparably if Berlin were to become the fully-fledged capital.

Some anti-Berlin campaigners, including those who generally admire German democracy, admit to misgivings about whether a centralised Germany would be politically stable in the long term. According to Mr Luigi Vittorio Ferraris, former Italian ambassador to Bonn: "If we are going to run a new Germany from Berlin, we will start a new continuity with 1945."

Mr Ferraris, who has become a prominent campaigner within Germany for the government to remain on the Rhine, says: "We all love Germany. Conditions are different, *the young people are different* (compared with the Third Reich). But German society has the possibility of running astray. It will not run astray tomorrow or even the day after tomorrow. Therefore, we should try to contest this kind of idea from the beginning."

Mr Kohl and Mr Hans-Dietrich Genscher, *the Foreign Minister*, have not shrunk from facing up to foreign mistrust of German might. "The united Germany will carry *greater weight*. With it we shall not strive for greater power but will be conscious of the greater responsibility," Mr Genscher proclaimed at the United Nations last week.

Overshadowing tomorrow's unity celebrations is the Gulf crisis. As the relics of the last war in Europe are finally laid to rest, another threatens in the Middle East. Preoccupied with its internal challenges, Germany may have to live up to its new international responsibilities more quickly than it would like.

KEY DATES IN GERMAN HISTORY

- Sept 1862: Bismarck becomes Minister-President of Prussia
- May 1871: *Alsace-Lorraine handed to Prussia after Franco-Prussian War*
- Aug 1914: First World War starts
- June 1919: Treaty of Versailles - Germany loses territory to France, Poland and Baltic States
- Jan 1933: Hitler comes to power
- March 1938: Annexation of Austria
- Aug 1939: Soviet-German *non-aggression pact*
- Sept 1 1939: German troops invade Poland
- Sept 3 1939: Britain and France declare war on Germany
- June 1941: Germany invades Soviet Union
- May 1945: Nazi Germany capitulates
- July 1945: Potsdam conference divides Germany into four occupation zones
- June 1948: *Soviet blockade of Berlin*, following western currency reforms, leads to allied airlift
- May 1949: Basic Law established for three western zones
- Sept 1949: Federal Republic established
- Oct 1949: East Germany established
- Aug 1961: Berlin Wall goes up
- Aug 1989: *East German exodus begins*
- Nov 1989: Wall is breached
- March 1990: Free elections in East Germany
- July 1990: Monetary union between East and West
- Sept 1990: Two Germanys and four wartime allies sign treaty

■ GOVERNMENT AND FOREIGN RELATIONS

East Germany's wheels of state grind to final halt

By Leslie Colitt in East Berlin

EAST GERMANY'S absorption into the Federal Republic means that all its government ministries and state bodies will cease to exist, along with the legal foundations of the state and its agreements with foreign countries.

Diplomatic relations with more than 120 countries are terminated, only 19 years after East Germany wrung political recognition from West Germany *and was able to establish* ties with other western countries.

The aluminium-clad Foreign *Ministry on Marx-Engels Platz* will be temporarily occupied by Mr Franz Bertele, former head of the West German Permanent Mission in East Berlin, who is to wind down the technical machinery of East German diplomacy. West Germany refuses to take on any of the old Communist diplomats but is interested in using some former East German consulates in Poland and other east European countries.

North Korea and Kampuchea, with whom West Germany has no ties, leave former embassies in East Berlin, and *Bonn has decided that these* two countries should now be represented by third parties.

The embassies of foreign countries in East Berlin, most of whose ambassadors have already left, become either consulates or branches of Bonn-based embassies, as is the case with the three western Allies in Berlin. Britain, France and the US also still retain the valuable sites of their pre-war legations close to the Brandenburg Gate. These could be used for new embassies if Berlin becomes the seat of government.

East Germany relinquished membership of the United Nations and formally withdrew from the Warsaw Pact in a *remarkable ceremony* in East Berlin late last month. It was attended by the East German Minister of Disarmament and Defence and the Soviet Supreme Commander of the Warsaw Pact armies and his generals, who looked far from pleased at the departure of their former ally.

West Germany has promised to assume East Berlin's obligations within Comecon, but the organisation is not expected to *survive long as eastern Europe* seeks to model itself on western economies and the Soviet Union sets out to establish a *market-based economy*.

Unlike the 52,000 employees of East Germany's postal system, railways, and border *police, most of whom will keep* their jobs, few of the nearly 27,000 employees in ministries and state institutions in East Berlin will be taken on by the West German Government. In future, the five *Länder* of former East Germany will be administered by career civil servants as in West Germany.

Most East German police and firefighters, who will be employed by the *Länder*, will keep their jobs. The armed *forces (Volksarmee) have been* purged of most senior officers and reduced in size from 170,000 to 50,000 troops. These *are being integrated into the Bundeswehr* under a West German commander who will reside in Greater Berlin.

Senior officials of the politicised judicial system have been, or will be, retired, but many judges have undergone cramming courses in West German civil and criminal law to allow them to mete out justice according to the West German legal system.

Although the former East Germany *is taking* over West German civil, criminal and administrative law, it will retain its more liberal law on *abortions and on property* (mainly to protect tenants on leased land) for a transitional period.

The West German judicial authorities will take over the investigations into accusations of corruption and distortions of justice against Mr Erich Honecker, the ailing former East German leader, and other politburo members. But there is no indication that they will be more anxious to take legal action than the East German judicial officials, who failed to prosecute.

■ BUSINESS PROSPECTS

Weighing the risks and opportunities

By Andrew Fisher in Frankfurt

A YEAR AGO, East Germany might as well have been on a different planet for all its existence meant to most foreign businessmen. Only the most prescient, or foolhardy, would have prophesied that the borders would be thrown open last November and Germany speedily united.

Now, executives are having to take notice. For many westerners, the decision to become involved in a market which *used to be virtually off-limits is* tricky. Unification will certainly help by removing legal uncertainties. But the problems, *physical and psychological*, caused by decades of division will not be solved by the stroke of the unifying pen.

"There are plenty of opportunities and risks for anyone moving into East Germany," says Mr Martin Astling, Frankfurt partner of Pritchard Englefield and Tobin, the UK legal firm. "October 3 doesn't sort out everything that needs to be put right on the ground."

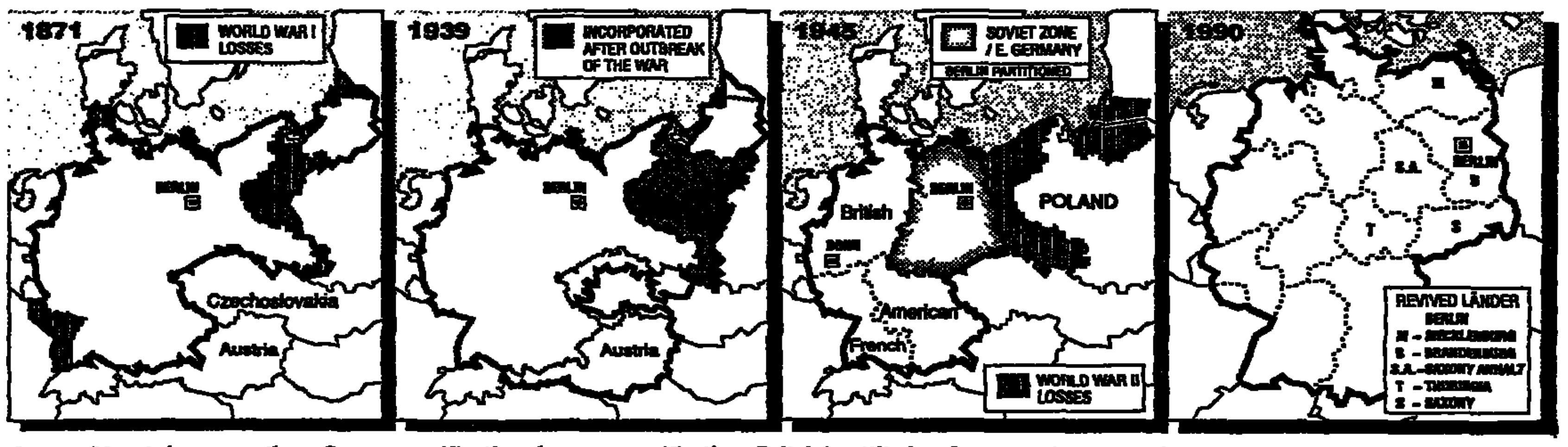
A state-run country in which inefficiencies were rife and output took precedence over quality, consumers' needs, and the environment is now being painfully transformed into a free market economy. "It's a new ball game," adds Mr Astling. "Sixteen million people have got to readjust themselves. It will take a time."

So *what do foreign managers* need to know about the new Germany, whether they have begun *to get* involved or are still spectators? Here are some pointers:

- Property. This has been a bugbear for potential investors, concerned about former owners turning up and demanding their property. It has now been laid down that compensation will be paid by the state; companies will not have to worry about giving back assets in which they have just invested. But confusion remains at local authority level about who owns or can sell state assets.
- Incentives. *The 12 per cent* investment grant decided for East Germany will remain; this falls to 8 per cent after mid-1991. *Also available will be* regional subsidies and incentives, bringing the total package to 33 per cent in some *cases, partly taxable. Commer*cial tax rates, set locally, will be lower than West Germany's.
- Cartel Office. West German *competition law will apply in* the whole country, administered by the Federal Cartel Office. Some deals, notably in energy and air transport, have already prompted cartel scrutiny; others, for example in banking and insurance, have gone through despite concern about the competition aspects.
- Chambers of commerce. These play an important role in West Germany in training apprentices, helping local authorities with development plans, and advising on foreign trade. The system is being *extended eastwards*.
- Treuhand. This East German privatisation agency will decide the future of nearly 8,000 former state companies. Investors wanting to buy into them will have to negotiate with this body, which is keen *for foreign, as well as German*, investment. However, it has its own organisational problems. Investors may need patience.

■ VIEWS FROM THE OTHER SIDE OF THE FENCE

Deep-seated worries qualify approval of friends and former foes



GERMANY'S NEIGHBOURS, allies and erstwhile enemies are all ambivalent in their attitude towards unification. Its break-neck speed has taken everybody by surprise, and adapting to the new reality has been difficult. In virtually every case, public approval of unification has been tempered by deeply-rooted anxieties about a resurgent Germany.

That has not prevented the Soviet Union's official position from being transformed in less than six months: from profound scepticism, through grudging acceptance, to something almost approaching enthusiasm.

The doubts remain, above all in the military and in the popular perception of many who believed a divided Germany was the only real insurance *against repetition of the* slaughter of the "Great Patriotic War."

Memories of the war, and the loss of 20m lives, have remained far more vivid in the Soviet Union than in the territory of any other major combatant. Yet the domestic problems of the Soviet Union today loom so large that fears about Germany have been thrust into the background.

That is the key to the Soviet change of heart. On the diplomatic level, however, the vital moment was Nato's London summit in June, when the allies proposed a joint peace declaration with the Warsaw Pact and a fundamental *reassessment of* their basic military strategy.

This left the way open for Moscow to accept German membership in Nato, the hardest element of all to stomach. Today, the Soviet authorities have persuaded themselves that *unification* can prove a real blessing: an economically powerful, united Germany, grateful to the USSR for its change of heart, is seen as the best possible intermediary for the Soviet opening to the west.

In France, opinion polls show that German unification has high popular support. But other indicators suggest that the prospect is regarded with mixed feelings on both political and economic grounds.

One reason is that for many years French attention has been focused obsessively on the relationship with Germany. Since 1963, the Franco-German *partnership* has been a cornerstone of foreign policy and it has also become an increasingly important intermediary mechanism for French policy towards the European Community.

Yet the historic enmity which gave rise to the partnership is by no means dead in some quarters. The government's response to the prospect of German unification has been to redouble its pressure for European integration. Before the tearing down of the Berlin Wall, France was already the most fervent advocate of European Economic and Monetary Union. After German unification became inevitable, President François Mitterrand marched Chancellor Helmut Kohl into new and even more sweeping commitments, including European political union.

Of all Germany's European partners, Britain is widely perceived to be the most reluctant about German unification. The charge *is perhaps not entirely* justified. The warnings issued by Mrs Margaret Thatcher were no different in essence *from those voiced, albeit more* discreetly, in other countries.

It was the forthright and sometimes undiplomatic manner in which the Prime Minister, not to speak of her former Industry Secretary, Mr Nicholas Ridley, expressed their concerns that caused the offence.

More perhaps than the threat posed by the economic might of the new Germany, it was the security implications of unification that most worried the British government.

Once the Second World War allies and the two Germanys had agreed on the so-called "2 plus 4" process to discuss the external aspects of German unification, Britain's attitude towards the whole problem became much more amenable.

What is also equally evident is that the government, and Mrs Thatcher in particular, do not share the official French conviction that a "deepening" of European integration is the best way of anchoring the new Germany to the West. Paradoxically, given her initial views about Germany, the Prime Minister continues to favour a looser and enlarged confedera*tion of nation states*, within which Germany, like its partners, would have greater room for national manoeuvre.

Poland, where *memories of* the Second World War run as deep as anywhere, and fears that Germany might again attempt to grab its western territories remain strong, has also changed its attitude somewhat towards German unification during the last few months.

The Poles will not be fully reassured until a unified Germany has signed a treaty guaranteeing Poland's western frontier, as both German governments have solemnly promised. However, the Poles no longer see two economic giants uniting, but rather a strong West Germany being saddled with a feeble relative which will monopolise its attention and energies for years to come.

One advantage Poland sees in unification is that it has gained a frontier with the West and that trade with Germany is bound to develop rapidly. Residents of East Germany are already flocking across the frontier to Poland to shop for cheaper goods with their newly-acquired *D-Marks* and the hope is that Berlin and other East German cities will provide a market for Polish farm *produce*.

Another bonus is that Soviet troops will leave East Germany and probably Poland too. The fears about unification are therefore balanced by the prospect of greater national freedom for Poland and the surrounding region.

On Germany's western frontier, unification has provoked surprisingly little resistance in the Netherlands. In spite of the lingering and deep resentment of five years of German occupation during the Second World War — which some claim was reflected in the ferocity with which the two countries' soccer fans clashed during the World Cup this year — the Dutch appear generally to support German unification.

People born after the war have the fewest qualms, as might be expected. An opinion poll last February found that only 6 per cent of people aged 18-25 expressed strong reservations and 17 per cent moderate reservations about unification. Yet even in the 55-65 age group, only 15 per cent were strongly opposed.

Opposition to unification has *also been softened by expecta*tions of economic benefits. West Germany is already the Netherlands' biggest trading *partner and unification is* expected to be a boon for Dutch exporters of both industrial equipment and agricultural *produce*.

Reports by Christopher Bobinski in Warsaw, Ian Davidson in Paris, Robert Mauthner in London, Quentin Peel in Moscow and Ronald van der Krol in Amsterdam

Germany and its neighbours

Turning points during 100 years, in the words of six Chancellors

"In the case of an unsuccessful war, we should have the same French against us whom we met from 1807 to 1813, and who would again suck our blood so that we should be paralysed for 30 years."
Otto von Bismarck, 1887.

"The German people cannot be turned into economic slaves of other countries for 20, 40 or 60 years. The terrible *misfortune* of the war for the whole of Europe can only be compensated if the *international community now joins hands.*"
Friedrich Ebert, 1919

"The theme of our economic struggle must be: the German people must live by exporting, or die. I assure international doubters: The German people *will not die*, by no means, but will live."
Adolf Hitler, 1939

"A country's unconditional surrender *does not* give the victors the right to keep it *occupied for ever.*"
Konrad Adenauer, 1950.

"We ought not to overlook the fact that, in the eyes of *others*, the German division is today part of the European balance of power that *secures peace in Europe.*"
Helmut Schmidt, 1979

"A glance at the map shows that everything which changes here has effects on our neighbours. *There is no sense in not recognising* that many are watching us with anxiety as we go on our way, and some with *fear*. But from fear no good can come."
Helmut Kohl, 1989

Daimler-Benz plans DM2bn investment in E Germany

By David Goodhart in Bonn

DAIMLER-Benz is planning to invest DM2bn (£600m) to DM3bn in East Germany over the next two to three years, according to Mr Edzard Reuter, Daimler's chairman. Daimler is following in the footsteps of Volkswagen which has already announced an investment of DM5bn in East Germany.

However, West German readiness to invest in East Germany remains rather patchy, according to a poll of 500 of West Germany's largest companies. The poll found that only 3 per cent of companies are currently producing in East Germany, but 16 per cent are investing and a further 31 per cent intend to start investing before the end of next year.

The leading sector is construction, with 30 per cent of building companies with actual or imminent investment plans, followed by 15 per cent of manufacturing companies and 11 per cent of retail companies.

The most important single block to investment remains uncertainty about property ownership or simple lack of suitable sites, according to 20 per cent of respondents. Fourteen per cent quoted poor infrastructure and 13 per cent uncertainty over land prices and wages costs as disincentives.

The primary motive for investment in East Germany was proximity to new East German customers and a bridgehead into eastern Europe; only 2 per cent of companies said their dominant motive was re-acquiring old production sites. Some commentators attribute continuing hesitation to the belief that investment subsidies from Bonn will steadily improve over the next few months, and that businessmen are therefore not rushing in until they do.

Investment grants already have risen from 12 per cent to a maximum of 33 per cent. Also the Economics Ministry and the liberal Free Democrats are pressing hard for a waiving of corporate tax in East Germany, at least for a transitional period, although the Finance Ministry is still resisting the idea.

Mr Wolf Schöde, spokesman for the Treuhand, the body charged with privatising East German industry, complained that the continuing squabbling between the Economics and Finance Ministry in Bonn was hindering the investment climate.

He also reported that 100 of the Treuhand's nearly 8,000 companies have now been privatised, and that 500 to 600 further sales are currently being negotiated.

At the end of October the Treuhand is expecting to receive 3,000 company survival plans, but Mr Schöde warned that a large number of bankruptcies would have to be announced before the end of the year.

He said that what is lacking in East German companies is not so much cash for new investment but the human capital to manage that new investment. He believes there is also still a serious lack of interest from manufacturing concerns ready to produce in East Germany.

The Treuhand itself is trying to build up its staff from the current 700 to about 1,000, but is finding it difficult to recruit people for the middle-ranking jobs. The current emphasis is on building up the regional offices.

West Germans sign Soviet gas contract

WINTERSHALL, the West German gas subsidiary of the BASF chemical group, has signed a deal with the Soviet Union to supply natural gas to East Germany and western Europe, in what it described as the biggest participation so far by a Soviet concern in a western project, Andrew Fisher writes from Frankfurt.

The German company said it had agreed with Zarubezhgaz, the gas trading company of the Soviet Gazprom group, on the marketing of gas from the Soviet Union, as well as the building and operation of new pipelines and distribution networks. Gas would also be sold in West Germany and western Europe. No financial details were given for the deal. The first pipeline link, costing around DM400m (£135.5m), will be between Sayda in Czechoslovakia and Vitzerode in East Germany. Around 8bn cubic metres of gas a year will initially be involved in the deal, roughly equivalent to the volume used by East Germany in recent years.

Greek PM takes over the economy portfolio

By Kerin Hope in Athens

MR Constantine Mitsotakis, the Greek prime minister, yesterday took over the economy portfolio and appointed a new deputy economy minister to oversee a three-year austerity programme now under preparation.

Mr Efthymios Christodoulou succeeds Mr George Souflias, who is taking three months off for medical treatment but is not expected to return to the cabinet.

Mr Christodoulou, a European Parliament member, was deputy foreign minister for European Community affairs. A former state bank governor, he is expected to consult closely with European Commission officials on reducing Greece's huge public sector deficit, estimated this year at $10bn (£5.3bn).

Greece is seeking a $2bn special loan from its Community partners. If the money is approved, conditionality will be strict, since the former Socialist government failed to keep the terms of a 1985 EC emergency loan.

Mr Mitsotakis's decision to take on the economy portfolio reflects a determination to introduce long overdue structural reforms, despite strong reaction from the Socialist-controlled trade unions and opposition within his own conservative New Democracy party.

Legislation modernising the pension system was passed on Friday. Bank employees, power workers and rubbish collectors immediately called off a three-week strike, but pledged renewed opposition to further reforms.

The new austerity plan, due to take effect from January, will include strict measures to curb a 25 per cent inflation rate and increase revenues by reducing tax evasion and broadening the tax base.

In further cabinet changes, Mr Carolos Papoulias, the Greek ambassador in London, becomes deputy foreign minister. In addition, Mr Mitsotakis has appointed his daughter, Mrs Dora Bakoyiannis, as under-secretary to the prime minister's office, a junior cabinet post intended to make the administration more efficient.

Swedes told to end pay deadlock

By Robert Taylor in Stockholm

THE government-appointed wage conciliator in Sweden yesterday called on employers and trade unions to negotiate a national pay agreement for 1991 as soon as possible, as the economy moves rapidly into a severe cost crisis.

Both sides have been given until October 25 to respond to the conciliator's conclusions, which recommend pay increases of next to nothing next year.

The latest economic forecasts from Sweden's leading banks suggest price rises of 9 per cent in 1991, zero growth or worse, a balance of payments deficit over 4 per cent of the country's gross domestic product, no visible trade surplus and a large drop in industrial investment.

The conciliator's report shows Sweden's inflation in 1991 will be running higher than much of the rest of the western world, with a strong growth in costs. The gloomy forecast also suggests unemployment rate will rise sharply.

Spain becomes object lesson in failure to attract visitors

Peter Bruce on the crisis facing the Costa del Sol

MR PEDRO Turpault, president of the Costa del Sol hoteliers association, has been much in demand recently. Recently a group of Italian MPs trouped through his huge Don Pablo hotel near the beach.

"They want to know how we are dealing with our tourism crisis," he says. There is no comfort in becoming this sort of object lesson but Spain's tourist industry and hoteliers are in trouble. People have stopped coming.

Costa del Sol bookings are down 15 per cent on the year so far and 25 per cent down on 1988. Compared to 1989, nearly 3 per cent fewer people have come to Spain this year. That figure is likely to look a lot worse when final figures are totted up. Tourist income will fall 10 per cent.

Spain's biggest industry accounts for 9 per cent of gross domestic product and an expected fall of up to 7 per cent in dollar income is partly behind fears that the deficit on the current account of the balance of payments could rise more than 70 per cent to some $18bn (£9.5bn) this year. With the government still insisting there is no crisis, hoteliers accuse the authorities of ignoring them and of publishing false visitor statistics.

Mr Turpault notes wryly that "even if the government says there is no crisis there is either an oversupply of beds or an under-supply of customers." He fears 30 hotels on the Costa may close or come close to it this year. Hoteliers all along the Mediterranean coast complain that people are staying away because the peseta is overvalued and that Madrid is also failing to make the infrastructural investments necessary to make coming to Spain pleasant. Spanish governments have traditionally regarded the country's sun and sea as eternal and unalterable assets.

But high interest rates, designed to cool down the economy, have strengthened the currency nearly 20 per cent against sterling in three years, hitting the pockets of Spain's biggest package market, Britain.

It is not all economics. Spain's beaches are badly polluted. Coastal developers are still laying down pipes to pump raw sewage into waters it would take an average swimmer a few minutes to reach. Torremolinos, the biggest resort on the Costa del Sol, is to get its first sewage filter plant only next year.

The coast and countryside is heavily littered with building rubble and garbage. "It hurts when they say Europe begins at the Pyrenees but its true," says Mr José García Sánchez, owner of a small hotel south of Granada.

"I'm happy this has happened. It's like a sick person who finally goes to the doctor. This has been coming for a long time."

News that Thompson, the UK tour operator, is increasing its Spanish prices by 10 per cent next year, "means fewer people will come," says Mr Turpault. "But this is a crisis of hotels, not visitors," he adds.

Foreign home ownership along the coast is still high, though prices are also sinking as people try to escape over-development, noise and, in some cases, exploitative local taxes. But homeowners do not spend the money that hotel guests do and the industry groans with despair at government designs to attract "quality" tourists – more golfers and hopefully more people to taste the abundant cultural wealth in the interior.

"It's absurd," mutters one industry official, "the government should promote the country by taking into account its realities. Seventy-five per cent of the people that come here want to go to the beach," says Mr Garcia.

Spain, insists Mr Turpault, "is not a high quality product."

The government is loathe to intervene too heavily in the industry, although it has promised to cut VAT at four star hotels if they freeze prices next year.

Tourism has transformed the coastal economy and local political leaders, mainly members of the governing Socialist party, recoil at imposing more expensive hygiene or quality controls on their ratepayers.

Tourism's best hope now is that the economic downturn in Spain following the Gulf crisis will concentrate the national mind.

But if the past is any guide, the industry will do what most Spanish exporters and foreign exchange earners do in a crisis – wait for the currency to weaken – and then carry on as usual.

Serbs proclaim autonomy in Croatia

By Laura Silber in Belgrade

THE Yugoslav state presidency called an emergency state session yesterday, after leaders of the Serbian minority in the republic of Croatia proclaimed autonomy following armed clashes between police and Serb militants over the week end.

The Serbian National Council, a self-proclaimed parliament in the Croatian town of Knin, said yesterday that the call for autonomy was based on a plebiscite held in more than 20 municipalities over the past two months, in which Serbs overwhelmingly voted for autonomy in Yugoslavia's second biggest republic.

The 600,000-strong Serbian minority represents about 11 per cent of Croatia's 4.5m population. Croatia's Serbs demand autonomy and even secession if Croatia wins more independence within the Yugoslav federation.

The Croat authorities said the Serbian unrest was caused by police actions to seize arms from local nationalist groups and Serbian police reservists.

Milosevic: is accused by Croatia of stirring up racial hatred

Serbs erected barricades yesterday in several predominantly Serbian towns and stopped rail traffic in defiance of Croat moves to confiscate weapons. A policeman and a civilian were wounded in gun battles during the weekend. Ethnic tensions have mounted among Serbs and Croats since the Croatian Democratic Union, a right-wing nationalist party, ousted the ruling Communists last April in the first free elections in Croatia. Serbs accuse the Croat government of fascism – comparing them to the Ustashe, the Nazi-backed Croats during the Second World War.

Mr Milan Babic, president of the Serbian national council and the mayor of Knin, yesterday called on Serbs "to resist the terror of the Ustashe with all means."

Croat authorities have accused Serbia and Mr Slobodan Milosevic, the President of Serbian republic, of having "stirred up ethnic hatred in Croatia."

The ruling Socialist (formerly Communist) party of Serbia has supported the Serbian nationalist groups in Croatia.

The Serbian presidency yesterday cast doubts on the Yugoslav state presidency's ability to resolve the crisis.

The Serbian authorities have demanded that the state presidency "defends Serbs from repression in Croatia."

CSCE stirs bureaucratic jealousy in Brussels

By David Buchan in Brussels

THE Conference on Security and Co-operation in Europe (CSCE) is stirring institutional jealousies in the European Commission.

Addressing foreign ministers of the 34 CSCE-participating countries, Mr Frans Andriessen, the EC external affairs commissioner, yesterday hailed the Helsinki process as "more vital than ever" for east-west relations. But behind his honeyed words lie much bureaucratic in-fighting to get the EC's executive body represented alongside its member states in the CSCE.

There are also fears – which are chiefly psychological – that the CSCE will prove an all too welcome escape for the Kohls, Mitterrands and Thatchers from the increasingly supranational and onerous Community agenda of political and monetary union, back to the more congenial 19th century format in which national leaders can posture behind their national flags.

"The CSCE could become a kind of paradise lost, in which EC states will dream of recovering their sovereignty," says one senior Commission official.

In substance, however, the EC would seem to have little to fear from the probable shape of CSCE, as a conference (organised by the Centre for Strategic and International Studies from Washington and the Finnish Institute of International Affairs) of leading officials and academics from some 20 of the CSCE-participating states in Helsinki last week made clear.

In the economic arena – where Brussels feels it should henceforth play the lead role – Soviet delegates talked of the general need to arrange greater east-west co-operation. But neither they nor any other participants had any specific suggestions. While it made sense in the early 1970s to try to bridge the gulf between eastern and western economic systems by governments enunciating some general principles in the CSCE, the apparent triumph of the market everywhere has effectively pushed governments – and the CSCE – out of the business of arranging economic co-operation.

By contrast, new suggestions are piling high on security and human rights, in particular for the proposed centre for conflict prevention. If such a centre is not to become just a "wailing wall", then CSCE member governments would probably need to submit to some kind of supranational supervision. Yet this seems unlikely because it would so totally transform the CSCE, which for the past 15 years has very successfully acted as a kind of marathon diplomatic cocktail party.

Jaruzelski clears way for elections

POLAND'S President Wojciech Jaruzelski yesterday signed legislation cutting short his presidency after just over a year in office and setting up elections to replace him, Reuter reports from Warsaw.

The legislation is expected to enable Gen Jaruzelski's successor to take over before Christmas. The first round of polling is expected to take place on November 25, with the second two weeks later if no candidate wins 50 per cent.

Soviet council bans N-tests

Regional authorities in the Soviet republic of Kazakhstan have banned nuclear testing at the country's main range at Semipalatinsk, Tass said yesterday, Reuter reports from Moscow.

The Semipalatinsk regional council cited concern for public health and the area's future. Kazakhstan's parliament voted last November to urge Moscow to stop test blasts at the range, in the republic's north-west.

Protest in Kiev

An estimated 50,000 Ukrainian nationalists yesterday demonstrated in Kiev, denouncing the Communist Party and urging rejection of a new union treaty in a second straight day of peaceful protest, AP reports from Moscow. Police observed the demonstration but made no attempt to interfere.

Bulgarian upset

Bulgaria's main opposition party has won the country's first by-election since the general election last June, amid signs of eroding support for the ruling Socialists, Reuter reports from Velingrad.

Nigeria and IMF agree SDR375m standby debt deal

By Tony Hawkins and Michael Holman

A NEW SDR375m (£274.5m) standby agreement between Nigeria and the International Monetary Fund will go to the IMF board for approval next month, Alhaji Abubakar Alhaji, the Nigerian finance minister, and Alhaji Abdulkadir Ahmed, the central bank governor, said yesterday.

The new 15-month facility, replacing the previous loan which lapsed in April, is essential to the success of debt rescheduling talks with the London Club of commercial bank creditors and the Paris Club of government creditors. Nigeria's total external debt is $34bn (£18bn).

The officials were speaking after a signing ceremony in London for two new aid agreements with Britain, releasing £25m to support Nigeria's structural adjustment programme, of which £20m is tied to the purchase of British goods and services. The Crown Agents will be responsible for procurement. It is the first tranche of a £60m grant which the UK pledged at a consultative group meeting for Nigeria in November 1989.

Britain's willingness to sign the deal yesterday was seen by both Nigerian and UK officials as evidence that relations had not been seriously undermined by Whitehall's decision last month to cancel a planned visit to Lagos by Mrs Lynda Chalker, the minister of overseas development.

The cancellation was in protest against the execution of soldiers accused of participating in the abortive coup against President Ibrahim Babangida in April.

The British government had also complained that Nigeria had not been sufficiently forceful in its condemnation of the Iraqi invasion of Kuwait – a charge Lagos has since vigorously denied.

Strong domestic opposition to taking loans from the Fund meant that Nigeria did not draw on the previous IMF facility, and both officials said this would continue to be the case.

The next round of rescheduling talks is expected to take place with the London Club shortly.

Discussions have been deadlocked following Nigeria's unilateral decision to reduce interest payments to 3 per cent on its $5.3bn commercial bank debt, which Lagos seeks to reschedule over 30 years. The officials stressed yesterday that they would resist commercial bank claims that, with the rise in oil prices, Nigeria is now able to pay a higher interest rate. Since the onset of the Gulf crisis Nigeria's oil output has increased to 1.9m barrels a day from nearly 1.7m b/d, while the price of its Bonny Light crude has reached around $40 a barrel.

The 1990 budget was based on an average price for the year of $16 a barrel but the officials said the present surge in oil prices could turn out to be temporary, and was no basis for meeting long-term commitments.

Since the collapse of oil prices in the mid-1980s Nigeria has cut imports, and the officials said the country desperately needed to increase import levels to accommodate faster economic growth. They also said that Nigeria's debt service obligations to the Paris Club were larger than previously estimated and this would influence the availability of foreign exchange.

The finance minister rejected reports that the federal government had been guilty of substantially overspending in this year's budget. He said that when he left the budget ministry to become finance minister a month ago net government borrowing to cover the deficit was well below target.

Supreme Court halts Delhi's jobs reservation move

By K.K. Sharma in New Delhi

INDIA'S Supreme Court yesterday stayed "further implementation" of the cabinet's decision to reserve 27 per cent of government jobs for lower castes, permitting it only to continue identifying the castes.

The judicial order, passed on a petition by the Bar Association because of the growing caste violence in the country, is binding on the Mr V.P. Singh, India's Prime Minister.

The order is expected to end the widespread caste violence in New Delhi and north Indian states which has led to several suicides by students and heavy damage to buses, trains and government property.

The agitation by students was sparked off by a controversial government notification on August 7 on the reservations decision. Thousands have been demonstrating in New Delhi, where schools and colleges have been closed for more than a month, and states such as Haryana, Uttar Pradesh, Rajasthan and Madhya Pradesh.

Although the government opposed the petition when it was heard by the Supreme Court yesterday, it is now effectively justified in suspending work on the decision to reserve jobs for lower castes.

Mr Singh has resisted heavy pressure from his allies and opponents to suspend implementation of the job reservations decision until the Supreme Court has given its verdict on its constitutional validity. The only conciliatory gesture he made was to offer negotiations with the students.

Mr Singh has also been under severe attack from his detractors in the ruling Janata Dal for the manner in which the students' agitation has been handled. Following the attack, he obtained a vote of confidence from the parties constituting the ruling National Front coalition at the weekend but a small group in his own Janata Dal has openly sought his resignation.

The stay order passed by the Supreme Court yesterday gives a much-needed respite to the beleaguered Prime Minister.

V.P. Singh regrets his missed opportunity

David Housego examines the Indian government's battle against Sikh separatists

IN PUNJAB, where the Indian government has been fighting a Sikh separatist movement for almost 10 years, violence has become part of the routine of life.

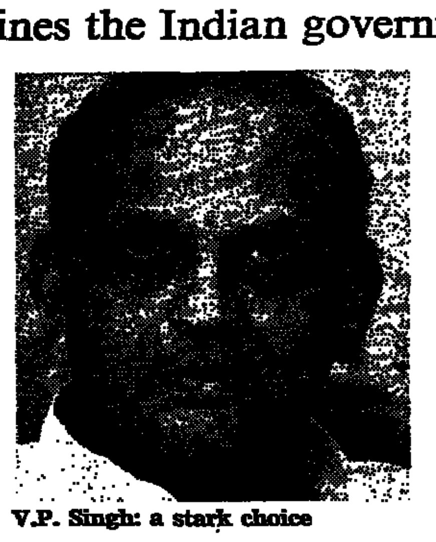
Police vehicles bristling with automatic weapons tour the streets of Amritsar – now a shabby, run-down city demoralised by continuing conflict – making themselves as familiar a feature of the urban landscape as the taxis belching black smoke or the auto-rickshaws.

At Sursin, a large village close to the Pakistan border, three terrorists silently observe foreign journalists talking to a family in the courtyard of their house. "When the 'boys' come here I willingly serve them food", says Mr Surinder Singh, the head of the family, as he casts towards the militants beside him a look that expresses both fear and support.

Last month alone a staggering total of 600 people were killed in terrorist-related violence in the Punjab, according to western embassies in New Delhi which keep a close watch on the situation because of the international terrorist implications. Police in Amritsar put the figure at the much lower 233 – which would nonetheless be more than double that of August 1989 and would reflect the same deteriorating pattern.

But unlike Kashmir, where deserted streets and daily curfews point to a whole population united in its hostility to the government in Delhi, the towns and villages of the Punjab are as packed with people as any in India. Police claim that 95 per cent of the violence takes place at night.

The number of killings has dramatically increased because the terrorists now have more automatic weapons and use more powerful explosive devices and because the police themselves have gone on the offensive. But the nature of the violence has also changed. Five



V.P. Singh: a stark choice

years ago most of the killings were politically motivated. Increasingly now militancy provides a cover for other crimes – bank robberies, kidnapping, extortion, smuggling, drug trafficking, vendettas between Jat farmers and gang warfare in a province where unemployment remains high and where the courts have failed to convict any terrorists for the past eight years.

Mr Simrajit Singh Mann, the Akali Dal (Sikh) leader with the most support, who was himself elected to the National Assembly last year while being detained in prison, says that two-thirds of the violence is due to hooligans, thugs and police stooges. Mr Sanjip Gupta, senior superintendent of police in Amritsar, claims that 80 per cent of the violence is now criminal. Both sides agree that there is only one really disciplined and ideologically motivated militant Sikh guerilla group – the Babbar Khalsa.

Talking to reporters this week, Prime Minister V.P. Singh conceded that he had let slip the chance of a fresh beginning to finding a political solution in the Punjab that was provided by a new administration coming to power in Delhi in November. "One thing I will regret all my life", he said "is of not holding elections [for the state assembly in the Punjab] within six months [of his government taking office]".

He is now faced with a stark choice in a deteriorating situation of violence and soured relations between the Sikhs and the central government. Either he has to extend into a fourth year direct rule from Delhi by amending the constitution – thus continuing to stifle the expression of opinion in the province - or he has to hold state assembly elections. The latter option carries the risk that the militants will intimidate voters into electing an assembly that will proclaim Khalistan, or a separate Sikh state, in the Punjab.

The holding of elections now is opposed by Hindus in the province, who account for 40 per cent of the population, and most of the non-Sikh political parties. "The 'boys' will come to power and it will practically be a government of Pakistan", says Mr V.J. Chopra, editor of the Hind Samachar newspaper group. A spokesman for Hindu opinion in the province, he believes that the terrorists will hold sway over the election and that they take their orders from Pakistan.

Government fears that a newly-elected Assembly will proclaim Khalistan are probably exaggerated. Unlike Kashmir, separatism in Punjab does not have a strong popular base. But what does seem likely is that the radical Akali Dal faction of Mr S.S. Mann will gain a majority of the seats and that many of them – as in last November's general election – will go to militants and the relatives of Sikh "martyrs".

"There is large scale sympathy for extremists amongst our population", says Mr Gurtej Singh, a former senior civil servant and now influential politician. "The concept of martyrdom has a major role in the Sikh religion. To seek martyrdom in pursuit of a cause is seen as the ultimate goal in the development of man".

Mr Gurtej Singh believes that opinion in the Punjab has been radicalised both by the brutality of the security forces and by the failure of successive governments to woo the moderates. The "government has failed to give the moderates a handle by making no concessions", he says. In particular, the central government has failed to fulfil promises negotiated with former Prime Minister Rajiv Gandhi's administration in 1985. These included incorporating Chandigarh fully into the Punjab as its capital, the transfer of Punjabi speaking districts of neighbouring Haryana to the state, and a new allocation of river waters in Punjab's favour.

As with Kashmir, Assam and the management of the economy, the indecisiveness of Mr V.P. Singh's administration has been the major factor in the deterioration of events in Punjab. But in Mr S.S. Mann the Prime Minister has also had a Sikh leader even more indecisive than himself.

Mr Mann, a former policeman with often idiosyncratic views, has constantly shifted his stance veering from encouraging the moderates to bowing to the extremists.

He has supported holding state assembly elections, then opposed them, and now seems to be supporting them again. Of late he has been touring Punjab villages warning Sikhs that Hindus are attempting to stifle their religion and culture.

If elections are held, he is likely to emerge as the next Chief Minister of the Punjab. This prospect is another reason why the Prime Minister is reluctant to go ahead with them.

Bill fails on extending direct rule in Punjab

By K.K. Sharma

A BILL to extend President's rule – direct administration by New Delhi – in the north-west Indian state of Punjab fell through in the Lok Sabha, or lower house, yesterday when it failed to get the required majority.

Unless the bill to amend the constitution is revived by waiving a rule prohibiting its consideration again in the same session, elections must be held in Punjab before the current spell of President's rule there ends on November 10.

The failure of the bill puts the government in difficulty since law and order has deteriorated sharply in Punjab in the past few months. All parties, including the opposition Congress party, agree fair elections are not possible in the state.

Punjab has been under President's rule since 1987 because of special amendments of the constitution which permit this to be imposed on any state for a maximum period of a year. President's rule was clamped on Punjab following the failure of the state government to check violence by Sikh militants seeking independence.

The latest constitution amendment bill fell through because Mr Rajiv Gandhi's Congress ply abstained from voting on it even though its members were present in the House.

A constitutional amendment bill requires a majority of at least half the membership of the House and two-thirds of those present and voting. The Lok Sabha has an effective strength of 524 members and when the voting took place, the bill got only 249 votes in its favour which is much less than half the membership of the house. Angry exchanges between the Treasury and Opposition members took place after the voting and the Congress was accused of "duplicity" for abstaining.

Before the session Congress had agreed to "co-operate" to have the bill passed even though Mr Gandhi had criticised Mr V.P. Singh, India's Prime Minister, of failing to formulate a policy to deal for Punjab.

Mr Gandhi maintained after the voting that it was the responsibility of the government to ensure at least a simple majority in the house.

A Moscow windfall for Israel

By Hugh Carnegy in Jerusalem

THE SPEED with which relations between Israel and the Soviet Union are warming up after being almost frozen for 20 years – underlined by the announcement on Sunday of a restoration of full consular ties – is a welcome diplomatic windfall for Israel which carries a number of valuable benefits.

The way rapprochement with Moscow has gathered pace has been a welcome respite for Israel from the dangers posed by the Gulf crisis. In the last few weeks, three cabinet ministers have been in Moscow, two to visit President Mikhail Gorbachev. Late last week, the Israeli transport minister said he had been informed by Moscow that direct flights between the two countries would be resumed shortly.

Officials said yesterday they did not think a restoration of full diplomatic relations, severed by Moscow after the 1967 Six-Day War, was imminent. But they added this would have little more than symbolic value as relations now are already extensive. Relations have also been restored with the Soviet Union's erstwhile East European allies.

An immediate benefit is the facilitation of Soviet Jewish immigration, flooding in at a rate of nearly 20,000 a month. Direct flights have been sought for months by Israel to smooth the immigrants' passage. The expansion of trade and tourist links could also be of considerable benefit to both sides. They have already advanced some way towards an unprecedented joint venture, with US backing, to make cargo airplanes.

Perhaps more important, however, is the political spin-off in the Middle East. The shattering of Soviet links to Iraq is a matter of deep satisfaction in Israel, as is a less dramatic but still significant weakening of Moscow's support for Syria. Both countries are deeply hostile to Israel.

Meanwhile, there has been a noticeable softening of the previous Soviet insistence on an international conference to solve the Palestinian and other Arab-Israeli conflicts, something rejected by Israel as bound to be biased against it. So far Israel feels it has had easily the best of the bargain over Arab countries of Mr Gorbachev's reforms.

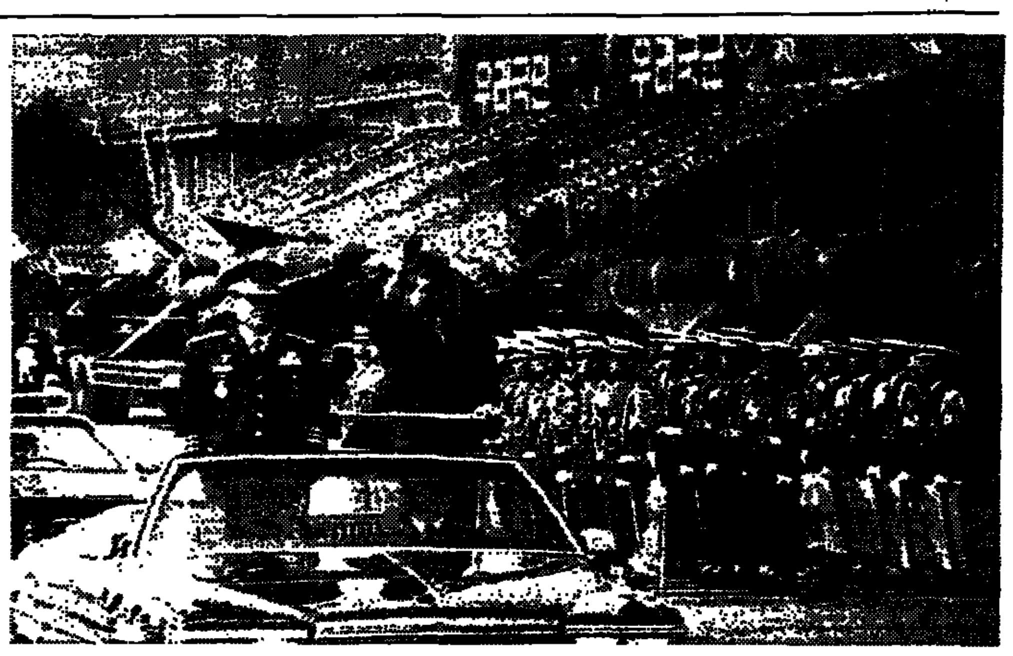
Roh foresees Korean turning point

By John Ridding in Seoul

MR Roh Tae Woo, South Korea's president, said yesterday that diplomatic ties with the Soviet Union would encourage reunification of the Korean peninsula by spurring changes which North Korea would be unable to resist.

"No longer having powerful supporters to fall back on, the North will not be able to adhere to its policy of communising the South", Mr Roh said. "Inter-Korean relations are thus approaching a major turning point."

Mr Roh's speech, at a ceremony to mark the country's armed forces' day, followed the signing on Sunday of an agreement to establish full diplomatic relations with the Soviet Union from January 1, 1991.



President Roh Tae Woo waves to troops at an armed forces day parade yesterday

After signing the agreement in New York Mr Choi Ho Joong, the South Korean foreign minister, and Mr Eduard Shevardnadze, his Soviet counterpart, said "the two sides are convinced that the step will contribute to enhancing stability and to a peaceful settlement on the Korean peninsula."

The announcement of diplomatic ties marks the culmination of South Korea's policy of Nordpolitik – the improvement of relations with socialist countries in an attempt to reduce tension on the Korean peninsula and to press North Korea into a more accommodating stance. South Korea now has diplomatic relations with all east European countries except Albania.

The establishment of ties between Seoul and Moscow also coincides with a series of other significant diplomatic initiatives in North East Asia. Last week the highest-level Japanese delegation ever to visit North Korea came to an agreement to establish diplomatic ties as soon as possible.

South Korea's response to the improvement in relations between Tokyo and Pyongyang has been cool. A spokesman for the foreign ministry said that Seoul was in favour of improved ties between Japan and North Korea but sought clarification concerning the agreements reached by the Japanese delegation.

In his speech yesterday Mr Roh said that "clearly the North has reached the dead-end of its isolationist policy." But he warned that a firm security posture was still an "absolute necessity."

US may lift aid and trade curbs on Vietnamese

By Paul Taylor, Asia Business Correspondent, in Bangkok

THE weekend meeting between Mr James Baker, the US Secretary of State, and Mr Nguyen Co Thach, Vietnam's Foreign Minister, in New York has increased speculation in Bangkok that the US-supported worldwide trade and aid embargo against Vietnam could be lifted soon.

Both sides have described the meeting – the highest level contact between the two nations since the end of the Vietnam war 15 years ago – as constructive.

The US recently resumed direct contacts with Vietnam as part of its revised Cambodian policy unveiled in July and US officials have since held three meetings with the Vietnamese representatives at the United Nations culminating in the Baker-Thach meeting on Saturday.

Vietnam is keen to see the US embargo lifted since this would pave the way for a resumption of International Monetary Fund lending and much needed aid from the Word Bank and individual nations.

The importance of a resumption of IMF lending to Vietnam, a nation of 65m mostly impoverished people, is underlined in a report published by Smith New Court, the securities firm. The report's author, Mr Chris Sherwell, argues that Vietnam is attempting a "capitalist-style reform programme" to overcome "its economic policy disaster". "Vietnam has achieved much in the past 18 months with little external assistance," the report said, "but its immediate goal now is to secure a resumption of IMF lending. This would pave the way for other multilateral assistance, and for aid from other countries such as France, Italy and others."

While the Smith New Court report entitled "Vietnam: Asia's Next 'Dragon'" is broadly optimistic about the country's potential, it also warns that Vietnam's future is remains finely balanced and that "its best hope of success lies with returning overseas Vietnamese with the foreign experience and local knowledge to build new businesses back home."

In terms of foreign investment potential Smith New Court is also cautiously optimistic noting that interest is growing, particularly in tourism, food and raw materials sectors.

Much of this investment, if it materialises, is likely to come from Vietnam's regional neighbours, Thailand, Singapore and Hong Kong.

China's PM hints at closer ties with Hanoi

By Peter Ellingsen in Peking

LI PENG, the Chinese prime minister, has used his National Day speech to signal Peking's willingness to normalise relations with Hanoi. Before the party's ruling hierarchy and a gathering of foreign dignitaries in the Great Hall of the People, Li made it clear China wanted closer ties with Vietnam.

Linking rapprochement with a resolution of the Cambodian conflict, Li said: "Along with such [a Cambodian] settlement, China is ready gradually to improve its relations with Vietnam."

The comments, on the 41st anniversary of China's 1949 revolution, follow secret talks last month between a Vietnamese delegation led by party chief Nguyen Van Linh and Chinese officials, and a breakthrough visit to Peking by Gen Vo Nguyen Giap, Vietnam's deputy prime minister.

Gen Giap, the highest ranking Hanoi official to visit China since the two fought a brief war in 1979, said during his stay that the time was "ripe" for normalisation. Li's remarks made it clear such a restoration was linked to Hanoi's willingness to press its allies in Phnom Penh for a end to the impasse in Cambodia.

"We hope Vietnam and the Phnom Penh regime will show sincerity by taking positive steps toward political settlement of the Cambodian question," he said.

Li said Peking was "pleased" about a recent agreement by all sides in the conflict to form a Supreme National Council to govern Cambodia, while a ceasefire is put in place and free elections held. Describing the developments as "significant progress", Li said Peking wanted an "early, fair, reasonable and comprehensive political settlement" in Cambodia, based on the UN blueprint.

Sitting beside Li at Sunday night's reception was Prince Norodom Sihanouk, head of Cambodia's non-communist resistance, and the man China wants to see installed as chairman of the Supreme National Council. China has supported the resistance groups, while Vietnam has backed the Phnom Penh government of Premier Hun Sen.

Li also used his National Day speech to reiterate a call for reunification with Taiwan. "It is our hope that those in power in Taiwan will set store by the long-term interests of our country and nation," he said.

PRICE RISES PUSH SOUTH KOREAN INFLATION RATE TO 9%

SOUTH KOREA'S consumer price index rose by 0.8 per cent in September, pushing the rate of inflation to 9 per cent for the first three quarters of 1990, according to the Economic Planning Board, John Ridding writes from Seoul.

Officials at the EPB expressed optimism that annual consumer price inflation could still be kept to the government's target of single figures, but analysts said they expected the annual rate to reach about 12 per cent, the biggest increase since 1981. Inflation, along with the poor performance of South Korea's export industries, is the government's principal economic concern.

Its original target of a 5-7 per cent rise in consumer prices has already been passed and the impact of higher oil prices remains to be absorbed.

The government's decision to freeze oil prices until the end of the year means that, so far, the rise in international oil prices has had only a limited effect on Korean prices.

But analysts forecast that any sustained rise in international oil prices will ultimately have a substantial impact on South Korea's economy. Oil represents 54 per cent of the country's energy requirements and all of it is imported.

In September the rise in consumer prices was largely the result of higher agricultural prices caused by severe floods which hit South Korea at the beginning of the month. According to the EPB, meat prices have increased by 25 per cent so far this year, while vegetable prices have risen by about 15 per cent.

Li denies thinking shares were a reward

By John Elliott in Hong Kong

MR RONALD LI, the former chairman of Hong Kong's stock exchange, who is on trial on corruption charges, yesterday denied that he thought he was receiving any "reward" when he was given preferential allocations of 500,000 shares in Cathay Pacific Airways in 1986 and 200,000 shares in Novel Enterprises in 1987.

Giving evidence at the start of the fifth week of the continuing trial, Mr Li was answering a series of key questions from his defence counsel, Mr John Lloyd-Eley, QC, which were designed to undermine the prosecution's central case that he thought the shares were issued as a "reward".

"Certainly there was nothing I deliberately withheld from doing, nor did I do anything particular, to win any reward," Mr Li told the court. He spoke Cantonese which was translated by an interpreter.

He said there was "no connection whatsoever" between the approval given to the Cathay listing on April 10 1986 by the exchange's listing committee, of which he was also chairman, and a phone call he made on April 17 to Wardley, one of Cathay's banking advisers, asking for shares.

The Cathay share purchases, for which he paid the issue price of approximately HK$2m (£137,200), had been a "private transaction". He had bought through nominees for convenience, not to conceal the purchase.

Philippines gets tough over budget deficit

By Greg Hutchinson in Manila

THE Philippines is to abandon elements of a fiscal reform programme inspired by the International Monetary Fund. Mr Jesus Estanislao, the finance secretary, last night put much of the blame on an earthquake on July 16 for the about-turn.

He told reporters at the central bank that the move was part of a government effort to reduce the country's ballooning public sector deficit. He said that without a change in fiscal tack, the Philippines was heading for a gap of about Pesos 60bn (£1.29bn), instead of the Pesos 33bn targeted – a figure already exceeded by Pesos 10bn.

The public deficit covers the government, central bank and 14 state corporations.

Among revenue-generating measures being considered are an import surcharge of about 9 per cent for a transitional period until legislation is passed, and taxes on the rich.

The finance minister also hoped the Philippines would qualify for concessionary international loans intended to ease the debt burden of the most heavily-indebted countries.

Under categories previously set by leading foreign creditors such as the IMF, the Philippines would be considered as belonging to the "richer" heavily-indebted countries, Mr Estanislao said.

However, the oil price shock would put the Philippines among recently categorised nine "most immediately impacted countries" deserving more concessionary loans.

Pakistan army chief sees plot

General Mirza Aslam Beg, Pakistan's powerful army chief, yesterday announced the discovery of a plot aimed at creating lawlessness in Pakistan, particularly in the province of Sind, to disrupt planned elections for October 24, Farhan Bokhari writes from Lahore.

This was his second public statement in three days since he blamed foreigners on Saturday for providing training and resources to saboteurs operating in Pakistan.

Gen Beg reportedly told Justice Naeemuddin, Pakistan's chief election commissioner, in in Rawalpindi that the army would ensure that the elections would be held as planned.

Hopes raised for UK businessman in Iran

THE agreement to restore diplomatic relations between Britain and Iran within the next month has raised hopes about about the fate of Mr Roger Cooper, the British businessman imprisoned in Tehran since 1985, Kamran Fazel in Tehran and Robert Graham in London report.

Last week's accord in New York between Mr Douglas Hurd, the British Foreign and Mr Ali Akbar Velayati, his Iranian opposite number, made no specific reference to the Cooper case.

But Britain has always insisted his continued imprisonment on unspecified allegations of spying was a barrier to normal relations and yesterday a prominent Iranian hinted Mr Cooper might benefit from a presidential pardon.

Mr Irfan Parviz, the executive editor of Tehran Times, regarded as the unofficial voice of Iran's Foreign Ministry, told the Financial Times: "Mr Cooper's case has nothing to do with politics as was stated in our editorial (of September 29); it's a judicial matter."

COMPANY NOTICES

The Colne Valley Water Company

Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of the Company will be held at the principal office of the Company, Blackwell House (the Assembly and Amenities Centre), Aldenham Road, Watford, Hertfordshire, WD2 2EY on 16th October, 1990 at 12.00 noon for the purpose of considering and, if thought fit, passing the following resolution:

Resolution

THAT the Company be registered pursuant to the provisions of the Companies Act 1985 (the "Act") as a public company limited by shares, within the meaning of the Act, with the name The Colne Valley Water Company Plc.

1st October 1990

Principal Office,
Blackwell House,
Aldenham Road,
Watford, Hertfordshire
WD2 2EY

By Order of the Board
J.A. Fennell
Secretary

NOTES

1. Holders of 7% (formerly 10%) "A" Ordinary Stock, 7% (formerly 10%) "C" Ordinary Stock, 4.9% (formerly 7%) Ordinary Stock, 3.5% (formerly 5%) Ordinary Stock and 2.8% (formerly 4%) Consolidated Preference Stock are entitled to attend (or be represented by proxy) and vote at the meeting. Holders of Redeemable Preference Stock are entitled to attend but not vote at the meeting. Holders of Debenture Stock are not entitled to attend or vote at the meeting.
2. Holders of Voting Stock are entitled to one vote for every £50 nominal of such stock, with a maximum of 25 votes. A Voting Stockholder holding in excess of £1,250 nominal of Voting Stock who wishes to avoid his voting rights being so limited may do so by transferring part(s) of his registered holding into the name(s) of one or more nominees and by ensuring that each such holding is registered in time for the nominee's vote to be valid.
3. The quorum for the meeting is seven stockholders present in person or by proxy holding in the aggregate not less than £2,000 in the capital of the Company.
4. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him. A proxy for an individual stockholder must also be a member of the Company.

   The Company's existing constitution does not permit corporate stockholders to attend and vote at the meeting by appointing a representative, they can do so only by appointing a proxy, who, if not a member of the Company must be a member of the corporate stockholder.
5. A form of proxy is enclosed for use at the Extraordinary General Meeting Forms of proxy if used (together with any power of attorney or other authority, if any, under which it is signed, or a notarially certified or office copy of such power or authority) must be lodged with the Secretary of the Company, Blackwell House, Aldenham Road, Watford, Hertfordshire, WD2 2WD not less than 48 hours before the time appointed for holding the meeting.

MMC INVITES EVIDENCE ON THE PROPOSED ACQUISITION BY KEMIRA OY OF CERTAIN ASSETS OF IMPERIAL CHEMICAL INDUSTRIES (ICI) PLC

The Monopolies and Mergers Commission have been asked to inquire into the proposed acquisition by Kemira Oy, a state-owned Finnish company, of certain assets of ICI plc used for the production of nitrogenous based fertilisers (both solid and liquid).

The Commission will be studying the possible effects of the proposed acquisition on competition in the United Kingdom market for nitrogenous fertilisers. The Commission would like to hear from any person with information or views on this proposed acquisition.

Evidence, in writing, should be sent by 19 October 1990 to: The Reference Secretary (Kemira / ICI), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

INTERNATIONAL NEWS

Exodus dogged by bureaucracy

Julian Ozanne reports on the long trek home for Ethiopian Jews

Clutching tattered bits of paper and legal documents, a line of Ethiopian peasants in flowing white shawls queues outside the wrought iron gates of the tightly-guarded Israeli embassy in Addis Ababa.

Most of them have trekked hundreds of miles to the Ethiopian capital, abandoning their small farms and lives as medieval blacksmiths, weavers and potters for the chance of joining relatives in Israel and fulfilling their religious desire to settle in the "motherland".

There are currently about 12,500 Ethiopian Jews or "Falashas" camped and housed in the crumbling quarters near the Israeli embassy.

Since Israel and Ethiopia re-established diplomatic relations last November, they have been pouring into Addis Ababa – spurred on by the encouragement and dollars handed out by American Jewish organisations – in search of an escape to their spiritual homeland from an Ethiopia increasingly torn apart by famine and civil war.

But their exodus to Israel has been dogged by the cumbersome and officious bureaucracy created by 13 years of rigid Marxism and the Falashas' unique position as a pawn in the geopolitical chess game of the Horn of Africa.

In late June, exit permits granted by the Ethiopian government, which had allowed about 500 Ethiopian Jews to leave each month, were suddenly stopped. Two weeks later President Mengistu Haile Mariam paid a secret visit to Israel. According to senior diplomats in Addis Ababa, he presented a shopping list of military hardware vital in the raging civil wars he is fighting against two rebel groups who have struck successfully into government-held territory this year.

President Mengistu's gambit with the Falashas has fuelled further speculation about the diplomatic pact between Israel and Ethiopia.

Towards the end of last year it became increasingly apparent to Mr Mengistu that his traditional sources of military assistance, the Soviet Union and eastern bloc, were going to dry up and that alternative suppliers were vital to sustain black Africa's largest standing army.

When the Israelis were invited back to Ethiopia after a 16-year break, diplomats dubbed the deal "guns for Falashas". But while there have been constant rumours of Israeli military assistance, from the provision of Uzi machine pistols and sophisticated electronic listening equipment to help in procuring Chilean-made cluster bombs, there has been little concrete evidence to support such claims. Both sides have denied the links.

"There is no military assistance. Even if we would have liked to replace the Soviet Union we cannot afford to step into their shoes," said Mr Haim Divon, an Israeli diplomat.

"For us the Ethiopian Jewish issue is a basic principle of allowing family reunification. It is non-negotiable. There is no give and take."


Thousands of Ethiopian Jews await visas from the Israeli embassy in Addis Ababa

For their purposes it suits the Israeli government, under heavy pressure from the powerful and wealthy American Jewish lobby, to make the Falashas the primary object of foreign policy in Ethiopia.

The true historical origins of the Falashas, which means "exile" in Geez, the ancient Ethiopian language, remain obscure. Some historians have claimed they are the direct descendants of Menelik, son of King Solomon and Queen Sheba, and that they followed Menelik from Jerusalem to his mother's homeland, Ethiopia. According to these assertions they are one of the 10 lost tribes of Israel.

Their status as Jews has also been the subject of heated debate. Most Falashas, or Beta Israel (House of Israel) as they prefer to be called, follow a pre-Talmudic form of Judaism, suggesting their origins lie before the fourth century when the Talmud, a body of religious and social law, came into practice. They are also pre-rabbinic, worshipping with priests and they conduct their rituals in Geez and Amharic, not in Hebrew.

But the Beta Israel do observe the Sabbath, Passover, kosher dietary practices, follow the Tora and see themselves as Jews.

In 1975, under the Law of Return, they were granted the right of immigration by the Israeli government.

Two years later, a deal was struck with the Ethiopian government to allow members of Beta Israel to emigrate. But in February 1978 Moshe Dayan, then Israel's foreign minister, admitted that Israel was selling arms to the Ethiopian government as part of the deal.

That cut off the flow of Ethiopian Jews getting to Israel, except for the clandestine Operation Moses in 1985 when 12,000 were flown out of refugee camps in Sudan.

That the Falashas only became the focus of Israeli foreign policy in Ethiopia since the marxist revolution in 1974, which overthrew the feudal reign of Emperor Haile Selaisse, has been taken by many observers as proof that the Ethiopian Jews are only a minor part of a whole range of strategic Israeli interests in the Horn.

Throughout the 1960s and early 1970s Israel supported Haile Selaisse with aid and arms to defend their geopolitical interests: maintaining the last non-Arab presence on the Red Sea, supporting Ethiopia in its historic role as a Christian bulwark against the spread of Islam in Africa.

Those Israeli strategic interests are as pressing today as they ever were with an Arab-backed Eritrean Peoples Liberation Front (EPLF) threatening to split Eritrea and the entire Ethiopian Red Sea shoreline from the rest of the country.

But in re-establishing relations with Isreal diplomats say Mr Mengistu may have made a serious foreign policy blunder. The flow of arms he expected has not materialised – partly because the US, which supplies most of Israel's arsenal, has made it clear that Jerusalem cannot provide US weapons to Ethiopia.

Furthermore, Israel's presence in Ethiopia has fuelled Arab support of the EPLF by raising the Zionist bogey.

According to several diplomats, Arab deliveries of weapons to the EPLF in January and February were an important factor in the rebel capture of Massawa, a vital Red Sea port.

The suspension of Falasha emigration by Mr Mengistu, which has since eased slightly, was a measure of the regime's desperation and a sign of the precarious position of the Ethiopian Jews now crowded into the capital.

Although Mr Mengistu has very little room to manoeuvre, their fate may depend on whether Israel is prepared to shore up his disintegrating 13-year-old dictatorship.

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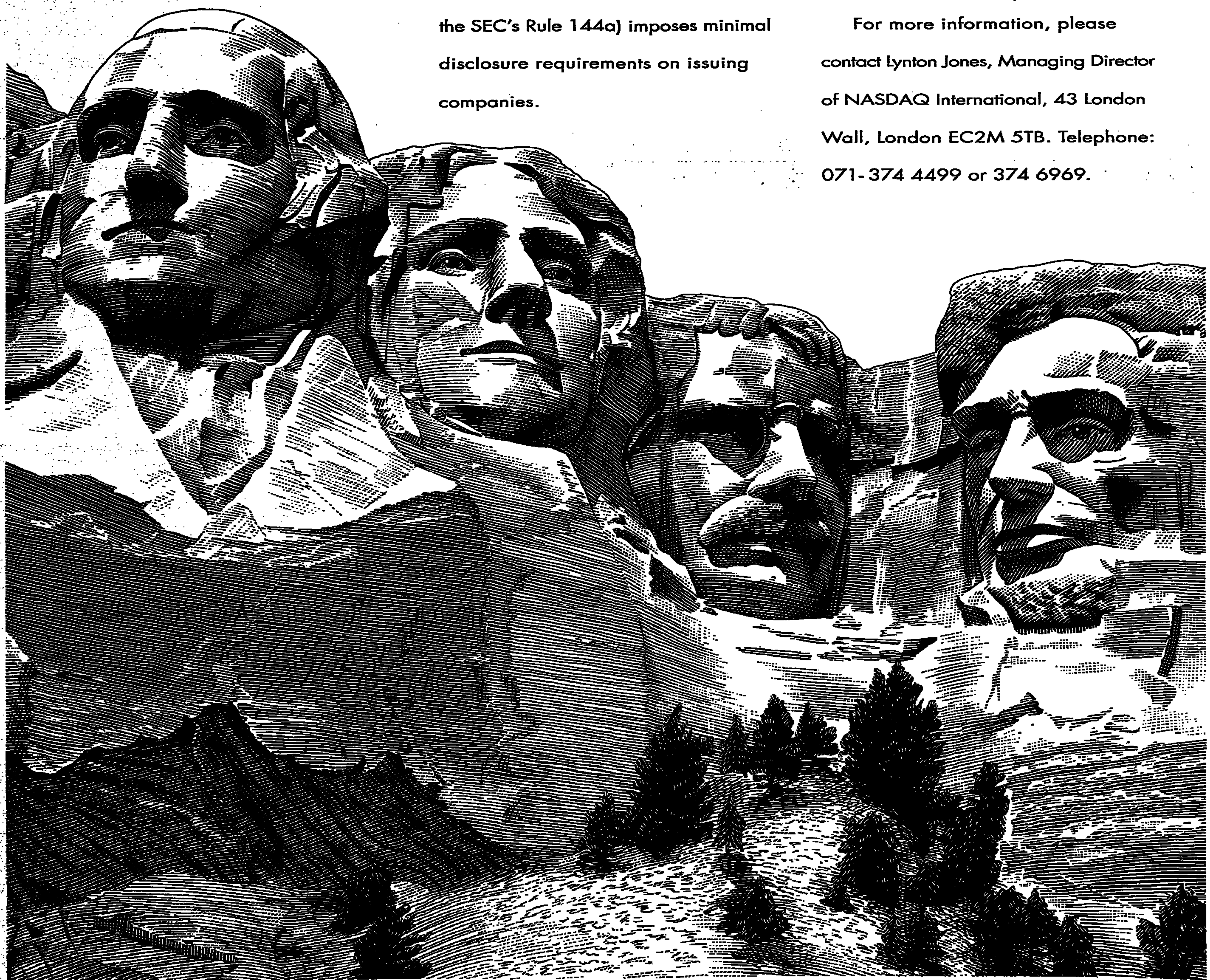


THE STOCK MARKET FOR THE NEXT 100 YEARS

UK NEWS

INTERNATIONAL STOCK EXCHANGE

Rawlins points to hybrid system

By Richard Waters

THE WAY shares are traded in London is likely to change extensively in the years ahead, Mr Peter Rawlins, chief executive of London's International Stock Exchange, indicated yesterday.

In a wide-ranging discussion, Mr Rawlins questioned much of the Exchange's established orthodoxy of recent years. He suggested, for instance, that the maintenance of a central market for equities - long one of the exchange's main tenets - was not necessary.

"Most major markets in most financial centres have some degree of fragmentation. If that is what customers want, then so be it."

Mr Rawlins was speaking after a council meeting of the Exchange which had considered a progress report on a proposed restructuring of the market's trading systems. The Exchange has yet to decide its final strategy, and any changes are thought to be some way off.

Mr Rawlins, seen as a new broom when he was brought in as chief executive at the start of this year, said he believed that market-making was London's biggest strength, and that it would be retained.


Peter Rawlins

He added, though, that other trading systems would exist alongside it, to allow investors to trade in different ways if they prefered.

In particular, this would mean the introduction of some method for capturing, routing and matching investors' orders without passing them through a market-maker.

In such a system, market-makers would rank alongside investors as participants in the market, using their capital to take up investors' orders as and when they wanted to enter the market.

They would no longer face the obligation to make firm two-way prices at all times - the basic element of the current dealing system.

"There have been changes in the obligations and benefits of being a market-maker," Mr Rawlins said. "The benefits have shrunk. With appropriate alternative arrangements, the responsibilities could also be reduced."

One implication, he said, was that investors would not be guaranteed that they could deal at all times. He added: "People think they will always be able to find a counterparty. That is not the case." The exchange should educate people on this point, he said.

Mr Rawlins' comments point towards a hybrid dealing system, and represent a move away from what he called the "conflicting theologies" of those who believe that quote-driven and order-driven dealing systems are incompatible.

He said it would be for investors to decide the extent to which they used market-makers, and were prepared to pay the market-makers a return for the capital they were committing to the market, rather than simply using an order-matching system.

● Companies will be charged penal prices to discourage them from making frequent checks of who owns their shares, once the UK's paperless settlement system comes into operation.

This emerged yesterday as the International Stock Exchange published a list of prices expected to apply when the settlement system, known as Taurus, starts to come into operation in October 1991.

The Exchange said that its overall charges would be among the lowest in the world. However, they are based on the assumption that stock market activity, at some 30,000 bargains a day, will be around twice its current level.

If the volume of business remains low, the Exchange will be forced to increase prices sharply to cover the overheads of running the system.

Opposition party reveals details of austere economic programme for Britain

Labour places investment before welfare

By Philip Stephens, Political Editor

LABOUR Party leaders yesterday told supporters that investment in the economy would take precedence over pledges to improve the welfare state.

Mr John Smith, the opposition's top spokesman on the economy, told the party's conference in Blackpool that a future Labour government would not increase income tax for the "overwhelming majority" of taxpayers to pay for better social services.

That meant that it would "not spend more than the economy could afford". His warning came as the conference voted against the party leadership in favour of a much sharper increase in state pensions than Labour is already pledged to introduce.

The vote proved an embarrassment for the leadership, but senior officials emphasised that it was not binding.

They are resigned however to a further defeat tomorrow when the conference will demand that the party commits itself to deep cuts in defence spending to pay for better social services. Yesterday it emerged that seven members of the "shadow cabinet" had voted against Mr Neil Kinnock, the leader, on the issue in the National Executive Committee

In a deliberately austere assessment designed to lower the expectations of the delegates, Mr Smith said that the resources needed for Labour's plans to increase investment in education, training and industry would have to be financed from the "national dividend" created by economic growth.

His stance, which won respectful applause, formed the hub of a carefully orchestrated campaign designed to emphasise that Labour now has a coherent but cautious strategy to restore the fortunes of Britain's economy.

It was followed by a pledge from Mr Gordon Brown, the opposition trade and industry secretary, that a revival of manufacturing industry would be the central priority of Labour's industrial strategy.

In parallel, Mr Tony Blair, the party's employment spokesman and Mr Jack Straw, the education spokesman, confirmed that its planned investment programme would be concentrated in education and training.

That message will be reinforced today by Mr Neil Kinnock when he tells the conference that a better educated workforce will be central both to Labour's economic strategy and to its commitment to social justice.

Despite the upset over pensions, yesterday's debates confirmed the grip that Mr Kinnock and his key lieutenants have established on the party's economic priorities in the run-up to the election.

It also reinforced the emergence of Mr Brown and Mr Blair as, apart from Mr Smith, the two most influential figures in the shadow cabinet. Mr Smith told the conference that the "fundamental problem of the British economy is a weakness of capacity" resulting from a "decade-long neglect" of investment in education, in transport, and in research and development.

Labour would begin to remedy that by using economic growth not to cut taxes but to invest in people, in skills and in new capital equipment.

BRITAIN IN BRIEF

Shootings prompt new Ulster call

Nationalist politicians in Northern Ireland called for the withdrawal of the Parachute Regiment from West Belfast after two teenagers were shot dead by soldiers when they drove through an army checkpoint.

The Army declined to comment on the circumstances of the shooting which is being investigated by the Royal Ulster Constabulary.

Members of the Parachute Regiment opened fire, killing a 17-year-old boy and an 18-year-old girl, after their stolen car drove through the roadblock, injuring a soldier on Sunday night.

Mr Gerry Adams, the West Belfast MP representing Sinn Fein, the political wing of the IRA, said the incident confirmed that security forces were operating a shoot-to-kill policy.

The allegation was strongly rejected by Mr John Cope, the province's security minister. He said soldiers opened fire because of the terrorist situation in Northern Ireland and not with the intention of killing joyriders.

French bid for water companies

France's largest water supplier has launched a full recommended cash offer for two water companies in south-east England following government approval of a merger, the first since last year's privatisation of the UK water industry.

Compagnie Générale des Eaux already owns Lee Valley Water Company. The Department of Trade and Industry has approved a merger between Lee Valley, Colne Valley and Rickmansworth. If Générale des Eaux is successful, it will gain control of what will be Britain's seventh largest supplier.

The offer values Colne Valley at £47.6m and Rickmansworth at £27m. Although Générale des Eaux already controls Lee Valley, its offer for the outstanding stock values that company at £37.5m.

The merger was approved because the three groups have guaranteed to pass savings of 10 per cent on to its customers in the Thames Water region.

If the offer succeeds, the merged companies will be run by Three Valleys Water Services, a wholly owned but unquoted subsidiary of Générale des Eaux.

FDA to test heart drug

Boots, the pharmaceutical and retailing company, has filed the first regulatory submission for Manoplax, its new heart drug which has a sales potential of hundreds of millions of pounds a year according to some analysts.

Sir James Blyth, Boots chief executive, called the application to the US Food and Drug Administration "a significant milestone" for the company.

Similar applications for Manoplax will be made to the regulatory authorities in the UK and other European countries.

Scots to make Japanese faxes

Oki Electric, the Japanese office equipment maker, has confirmed plans to manufacture facsimile machines on the site of its printer production facility near Glasgow in Scotland from autumn next year.

The plant will be a base for the company's facsimile machine sales in Europe, which were worth Y10bn (£38.5m) in exports from Japan last year, and which Oki expects will increase significantly after 1992.

Nuclear Electric to reorganise

Nuclear Electric, the state-owned nuclear power company in England and Wales, is planning to overhaul its organisation in an attempt to become more commercial.

Nuclear Electric, which was created last year after the government abandoned attempts to sell nuclear power, has to improve its commercial performance by 1994 when ministers are planning to review the industry's future.

Mr John Collier, Nuclear Electric's chairman, has announced proposals to shed 2,500 jobs from the company's 14,000 workforce by 1994.

Official body to foster democracy

Plans for a government-backed "political foundation" to help consolidate fledgling democracies in eastern Europe and the Third World will be finalised shortly, Mr Douglas Hurd, the foreign secretary, said.

The organisation will form part of Britain's commitment to promote "good government", Mr Hurd said. That could involve strengthening democratic institutions, encouraging free market economics and upholding human rights.

Move to protect York's heritage

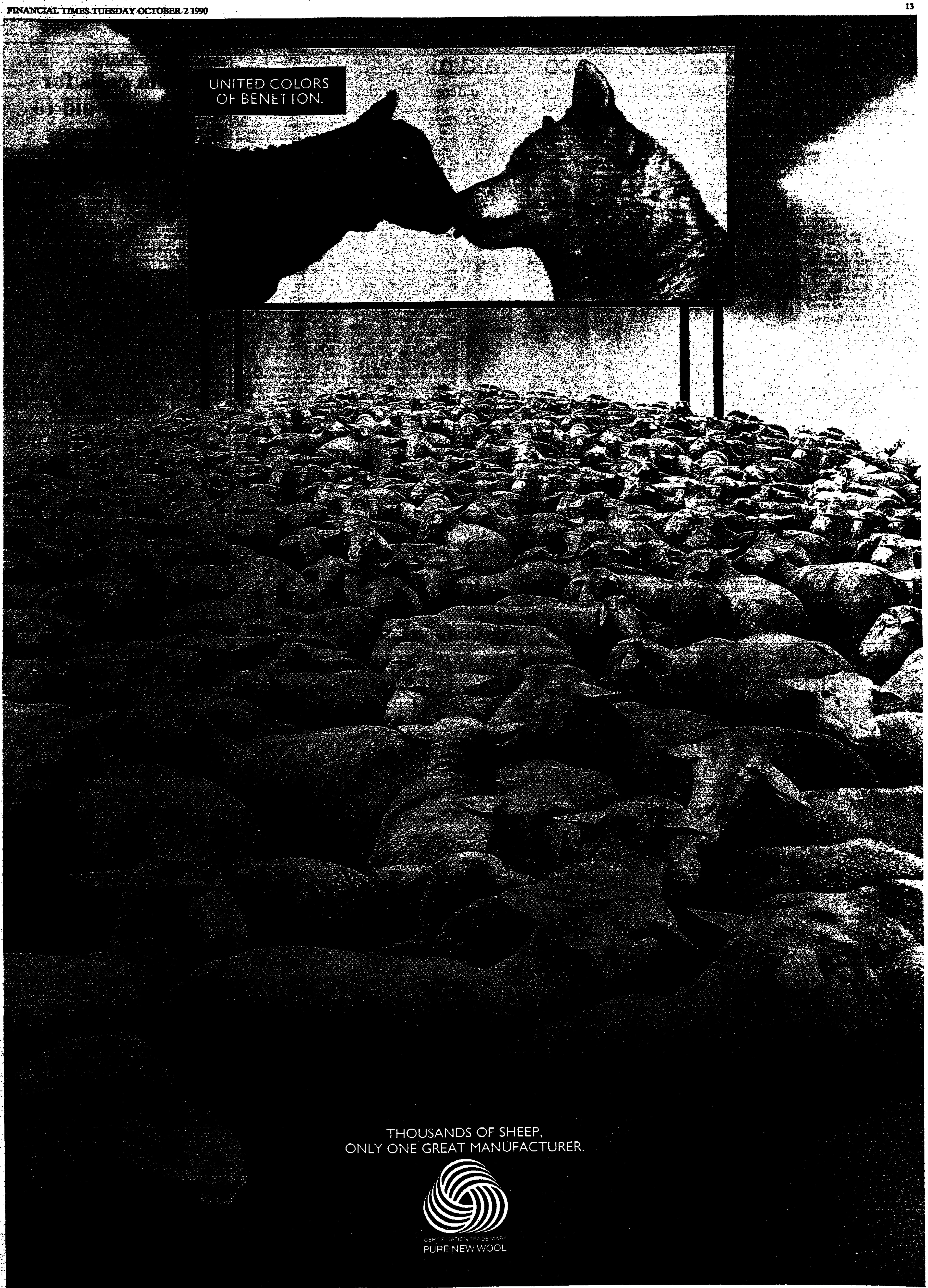
The ancient walled city of York in northern England should be declared a world heritage site in order to prevent further undesirable development, according to the city's MP, Mr Conal Gregory, and MEP, Mr Edward McMillan-Scott.

The two Conservative politicians are preparing to boycott the opening of an office block, which, they say, damaged a roman palace. The building may have been the palace of the emperor Septimus Severus who ruled the empire from York between 208 and 211 AD.

Proposed City heliport splits business community

A PUBLIC inquiry over a controversial proposal to build a helicopter landing pad in the City of London (artist's impression above) is likely to split the London business community. The plan, unveiled last October, involves the construction of a landing site on an elevated deck on the River Thames next to British Telecom's international exchange.

The promoters of the £10m City project – a consortium including large British businesses such as the Hanson Group, BAA, Trafalgar House, Midland Bank and the Carroll group – are facing an uphill battle against companies such as Barclays de Zoete Wedd, British Telecom, the ANZ banking group. The Royal Fine Art Commission and English Heritage have also strongly objected to the scheme. The City Corporation's Court of Common Council last June rejected a planning application for the heliport, saying that the problems of noise and safety outweighed potential benefits.


UNITED COLORS
OF BENETTON.
THOUSANDS OF SHEEP,
ONLY ONE GREAT MANUFACTURER.
PURE NEW WOOL

UK NEWS

Laying the blame for the economic malaise

As talk of recession mounts, Peter Marsh finds fingers pointed in different directions

AS signs of a recession grow clearer and unemployment climbs, the inquest has started about who is to blame and what has gone wrong.

One of the main aims of the Conservative government in the past 11 years has been to keep inflation down and to provide for a stable economy in which business could thrive.

Now the government is grappling with an inflation rate of 10.6 per cent – higher than when Mrs Thatcher came to office in 1979 and industry is creaking under the burden of high interest rates and a strong pound.

According to some of Britain's leading economists from across the political spectrum, the government made several mistakes in the mid-1980s which allowed domestic demand to increase rapidly, stoking up inflationary pressures.

The economists disagree, however, on the extent to which these errors could have been foreseen at the time. They also differ as to whether the mistakes can be blamed on economic or political misjudgments. .

Central to the argument is how much Britain's capacity to produce goods and services has improved during the 11 years of Conservative government.

Britain is generally agreed to have had an inherent supply-side problem since the 1950s.

As a result UK productive capacity has expanded far less than in many other industrialised countries such as West Germany, Japan and the US.

In the early 1980s, the Conservatives took action to reform trade unions, cut taxes and produce a keener business climate.

The government thought that the mid-1980s explosion in demand could be accommodated by higher UK production, without significant price increases or balance of payments problems.

Today, UK inflation is twice the European average and Britain faces a likely balance of payments deficit this year of nearly £20bn. Did the supposed supply-side improvement really happen? And to what degree did the government miscalculate the demand pressures?

A key person is Mr Nigel Lawson, the chancellor of the exchequer, and architect of the government's economic strategy between 1983 and 1989. He resigned last October after disagreements with Mrs Thatcher over the timing of Britain's entry to the Exchange Rate Mechanism of the European Monetary System.

In recent weeks Mr Lawson has broken his public silence on what went wrong just once, with an interview which appeared in IMF Annual Meeting News, a small US journal published to coincide with the recent annual conference of the International Monetary Fund in London.

The FT asked Mr Lawson's office if he would expand on the interview – in which he admitted three policy errors – but his office said Mr Lawson was too busy.

According to the article in IMF Annual Meeting News, the three errors were:

- Underestimating the effects of financial deregulation early in the 1980s. The loosening of controls on bank borrowing, particularly in the area of lending for house purchases, is widely believed to have stoked up inflationary pressures.

- The large depreciation of sterling after the oil price collapse in 1986. This made UK industry highly competitive on world markets for a long period, and may have induced manufacturers to take on more workers and attempt to boost production in a more intensive way than they would otherwise have done.

- Over-reacting to the world stockmarket crash of October 1987. Mr Lawson, in common with other political leaders, thought the crash would sap demand and confidence in industrial and financial markets.

As it turned out, the effects were far less. Mr Lawson was, however, dissuaded from any ideas at the time about applying brakes on the UK economy because he thought this would amplify the effects of the crash and possibly tip the it into recession.

In his interview, Mr Lawson failed to mention his tax-cutting budgets in 1987 and 1988. The tax cuts boosted people's spending powers and increased consumption. This was at just the time when, many economists argue today with the benefit of hindsight, the chancellor should have been slowing down the economy.

Thatcher, Walters and Lawson: disagreements throughout the chancellor's tenure

But during the mid-1980s, many economists went along with the government's belief that the UK had leapt forward in its underlying productive capability and so could boost consumption without the inflationary effects showing through. "Many of us believed a miracle had happened," said Mr Gavyn Davies, chief UK economist at Goldman Sachs, the New York-based bank.

Mr Davies said that, by 1987, he had woken up to the fact that the miracle might be something of a mirage. Mr Lawson, however, failed to act to slow down demand until late 1988 – when he raised interest rates.

Sir Alan Walters was Mrs Margaret Thatcher's personal economic adviser until he resigned in October last year after a long row with Mr Lawson on the issue of European monetary integration.

Sir Alan said that he could not be blamed for any problems in the economy that were now showing up. For most of his tenure as adviser, he had worked only on a part-time basis. In retrospect, said Sir Alan, he should have noticed something was awry in 1987. "I should have screamed earlier," he said.

Critics also say that the government became distracted with other policies, including the privatisation programme, and neglected economic aspects, particularly the rate at which the supply of money in the economy was increasing.

For Mr Tim Congdon, a leading monetary economist who is economic adviser at Gerrard & National, a discount house, failure to keep track of the monetary indicators was the crucial mistake. Mr Giles Keating, director of economics at Credit Suisse First Boston, said Mr Lawson's disregard of the overheating of the housing market was "criminal".

Ms Janice Buck, economic adviser to the pro-Conservative Institute of Directors, said that the government was responsible for a number of positive changes on the supply side of the economy. She added: "Any government which has been in power a long time has a tendency to think everything is going nicely and not to worry. The government took its eyes off the game."

Other onlookers have a different perspective. Mr Neil MacKinnon, chief economist at Yamaichi Securities in London and a part-time economic adviser to the Labour Party, worked in the Treasury between 1982 and 1985. One of his jobs was to prepare briefing papers for Mrs Thatcher.

At the time, said Mr MacKinnon, he was "a bit sceptical" about whether big changes had indeed occured in Britain's productive capacity. Later he became convinced. "Talk of a supply-side miracle was a load of flannel. The government started to believe its own rhetoric."

Professor Wynne Godley of the department of applied economics at Cambridge University, is another long-time government critic. "The Conservatives made catastrophic mistakes in underestimating demand," he said. "They arranged the world so that reality wasn't reflected back to them."

Mr Lawson has won some sympathy from analysts for the less-than-perfect government economic statistics in 1987-88. It now turns out that many of these were badly adrift. They underestimated demand factors and failed to show clear signs of increasing inflation.

However, according to Mr Peter Spencer, another ex-Treasury economist who is now at Shearson Lehman Hutton, the New York bank, Mr Lawson received other signals in early 1988 of an overheating economy on which he failed to act. Such signals included not only excessive monetary growth but evidence from industry surveys that output pressures were hotting up. "Mr Lawson has a lot to answer for," he said.

Mr Graham Mather, general director of the pro-market Institute for Economic Affairs, said Mr Lawson's strong-willed character had a bearing on the government's lack of attention to problems in the economy. "Mr Lawson was impervious to outside policy advice. There was a grim atmosphere when people tried to introduce him to new ideas," he said.

The Lawson boom will further undermine economist's reputation for being able to monitor accurately what is happening in the economy.

"After the event you have to put all the blame on the government (for the repercussions of the Lawson boom) – but I can't blame them," said Mr Geoffrey Dicks, chief economic forecaster at the London Business School. "A lot of forecasters were trying to monitor what was going on, and very few thought that things would turn out as badly as they did."

Fresh evidence that economy is slowing down

By Peter Marsh,
Economics Staff

FURTHER signs that the UK economy is slowing have come from statistics which confirm that the average British consumer is becoming more cautious about taking on credit and spending less on retail goods.

The figures from the Central Statistical Office are good news for the government, which wants the economy to weaken in the effort to reduce inflation. They may brighten the prospect of cuts in interest rates over the next few months.

In August, the amount of outstanding consumer credit borrowed from finance houses and building societies and on bank credit cards rose by £148m compared with July. The figure rose by £133m in July and £242m in June.

The August figures confirm the generally downward trend in outstanding consumer credit since the spring. Between June and August, outstanding credit rose by £523m, compared to £636m over the previous three months.

In August, consumers took on £3.69bn of new credit from finance houses and other lending organisations. That is the lowest monthly figure since September 1989 and compares with the £3.91bn of new consumer borrowings in July.

While borrowing less, the average consumer appears also to be spending less in shops and other retail outlets. Revised figures for August showed a drop in retail sales in volume of 2 per cent on a seasonally adjusted basis compared to July.

The revised figure contrasts with a previously estimated figure of a 1.6 per cent fall for August. It follows after several years of steadily increasing retail sales as the economy has expanded.

Retail sales figures are notoriously erratic and many economists believe a better picture is gained from looking at the underlying trends. Between June and August, sales were 1 per cent lower than in the previous three months. Sales of food have held up better than other retail items. Non-food retailers saw volumes fall by 2 per cent in June to August compared with the previous quarter.

LOCKERBIE INQUIRY

Pan Am calls for government aid to fight terrorism

PAN AM yesterday called for more government help for airlines in the fight against terrorism and hinted that airports may have to be rebuilt to withstand modern terrorists.

In a statement circulated outside the courtroom on the first day of the Lockerbie air disaster inquiry, Pan Am's senior operations vice-president Capt Robert Gould said: "We hope this inquiry will help all concerned individuals to find the truth of the tragedy of Flight 103."

Impressive results had been achieved by investigators, he said, but the capture and punishment of the terrorists was still awaited.

"Our goal must be complete protection from terrorist attacks against civil aviation.

"In order to achieve this goal we must recognise that air carriers require more help from their governments at the frontlines of aviations security," he said.

"We must also realise and deal with the fact that airports have not been built to meet today's sophisticated terrorist threats and risks.

"Airports are places of public assembly, not fortresses. Air carriers are in the transportation business, not the business of counter-terrorism.

"An air carrier becomes a terrorist target either because it bears the flag of a nation deemed to support policies in conflict with a particular terrorist's agenda, or solely as an act of retaliation against a government for a specific act it may have committed."

Inside the courtroom the final moments of Pan Am Flight 103, frozen on a flickering green radar screen, were shown to a hushed hearing on the first day of the Lockerbie inquiry.

Air traffic controller Mr Alan Topp, 54, described how the symbol showing the doomed Boeing 747 jumbo on his screen first partly disappeared, then broke up into a cluster of smaller images.

The inquiry heard that this showed the aircraft disintegrating 31,000 feet over the Scottish Borders.

Its disintegration into large sections of wreckage was captured on a video tape of the screen which was watched, played in slow motion, by the silent courtroom.

Clothing sector urged to compete in Europe

THE UK CLOTHING industry must invest in new technology and design if it is to continue to be able to compete against Europe, writes Alice Rawsthorn.

A new report into the women's fashion market from Key Note Publications says UK clothing companies need to produce more imaginative, higher quality clothing and to respond to the demand from retailers for a faster, more flexible service.

Unless the UK companies respond to this challenge they face the threat of losing market share to their more innovative counterparts in France, Italy, West Germany and Scandanavia.

However the UK clothing companies may be able to counter the sluggish state of the domestic market by drumming up new business elsewhere in Europe. Key Note also suggests that the affluent middle class consumers in countries like Pakistan, Nigeria and India may be interested in British clothing.

- The consolidation of the troubled design industry continued when Mr Richard Branson's Virgin announced a joint venture with Fether Miles, the product design consultancy, and Lloyd Northover, the corporate identity company, formed a partnership with Shining Strategic Design in France.

The class of 41.

(Britain 1990.)

Educationalists say that there should be no more than 25 children in a school class.

Any more and a child's ability to learn begins to suffer.

In Britain today there are often over 40 children in a class.

At a school near Slough in Buckinghamshire, parents raised £12,000 through fêtes and sponsored events so that they could pay for an extra teacher and cut class sizes to 23.

In a school in Warrington, Cheshire, all the 6 to 9 year olds are lumped together in two classes of 37. The remaining 9 to 11 year olds make up a class of 32.

Throughout the country the number of classes with too many children is on the increase. This is due in large measure to a shortage of teachers.

There are now more outside the education system than in it.

(Teachers can almost always find a better paid job elsewhere.)

But the overriding reason is a simple lack of resources.

We now spend less of our Gross Domestic Product on education than we did in 1979. This represents a loss of £3.25 billion.

As a result, a school in Coventry has been obliged to teach computer studies in the toilets.

But it's better off than the Cornish school which cannot use computers at all because it has no power points. (It also, incidentally, has no running water.)

It is conditions like these, together with fundamental failures such as the widespread shortage of books, that are sapping the resolve of even the most dedicated teachers.

And, of course, the heaviest penalty is exacted from our children.

The conclusion is hard to resist.

Unless there is a radical change in the funding of our schools the prospects for the class of 1990 look very gloomy indeed.

NATIONAL UNION OF TEACHERS

Our children are paying for cheap education.

The hunt for good vibrations

At the Jet Propulsion Laboratory in California scientists are experimenting with materials and structures that would automatically sense and suppress any incipient vibrations that might upset a new telescope planned for space.

Whenever on-board equipment starts up on a spacecraft, vibrations surge through the structure but fade slowly because of a lack of air to dampen them. Mariner 10, the scientific spacecraft launched to Venus and Mercury in 1973, was nearly lost when its solar panels and antenna began to flex in resonance with its thrusters.

Thomas Caughey, professor at the California Institute of Technology, and Chuen Goh, co-researcher, have found a way of detecting the vibration and feeding it back. In this way it can be dampened without introducing new vibrations. They use piezo-electric crystals that generate a voltage proportional to the amount it has moved.

The piezo-electric crystals take the form of pistons composed of small stacks of thin washers of the ceramic lead zirconate titanate (PZT). Sensors measure how much the pistons have moved, and how much force is being exerted on the PZT washers.

The pistons have been designed to avoid friction and, especially, stiction – stop-start motion – which would inject its own vibrations. They also shield the brittle ceramic from any load that might flex the washers.

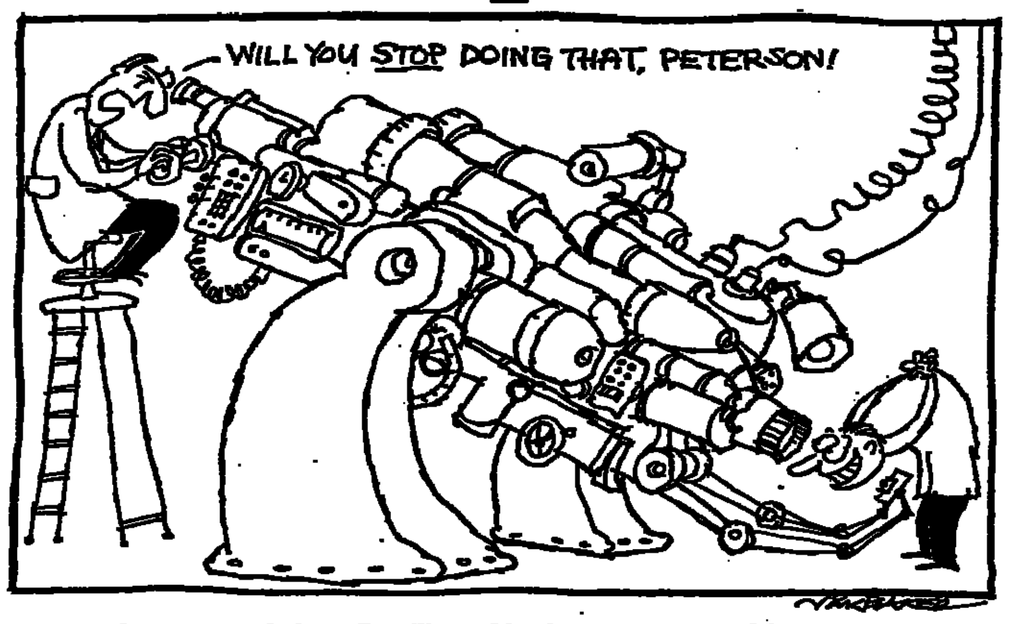
One test structure – a trusswork tower – has three forms of active control, one being its PZT pistons. The second is a mounting to which a "noisy" component can be bolted, and attached with an active isolation system. Another is an optical delay line used as a mounting for a laser interferometer.

The National Aeronautics and Space Administration has organised a programme to tackle vibration and other aspects of spacecraft control. The programme is using the proposed Orbiting Stellar Interferometer as a test case.

David Fishlock

Lynton McLain on how sophisticated microscopes are being used to control industrial processes

A surface under close inspection



Gone are the days when microscopes were merely passive instruments for peering into tiny worlds. While microscopes are still used extensively for observation, the latest technology is seeking to harness this observational power to control industrial processes.

In surface engineering, surfaces are manipulated and worked, sometimes at an atomic level, to change the properties of a material. This forms the basis of silicon chip technology but is important in other industries such as metallurgy, where knowledge of the surface properties of materials is becoming more important.

With developments in applied microscopy, manufacturers of industrial products from silicon circuits to steel may soon be able to use images at the end of a microscope lens to identify faults – in tiny parts of a silicon chip, for example.

Image processing is the first stage in making use of microscopic images. This is based on computer techniques to improve the quality of an image, such as increasing the contrast between different shades of grey, or applying colours.

Image analysis, on the other hand, involves the interpretation of an image using mathematical or statistical techniques programmed into a computer. These might include, for example, programs to detect the edge of a patch of a particular colour or shade of grey.

One of the most elegant developments currently under way to link the tiny world at the bottom of a microscope lens with the bigger world of industry is being considered by EEV, a subsidiary of the UK General Electric company GEC. EEV is a highly specialised company which designs and manufactures electronic cameras – known as charge coupled device (CCD) cameras. A charge coupled device is a specialised form of silicon chip that comprises an array of photo-sensitive elements, image sensors or pixels, which respond to light images.

EEV makes the charge coupled devices as well as the cameras that use them. The company has taken out a patent on a technique to link the inspection processes for the charge coupled devices with the cameras and to give automated measurement.

An ultimate development could close the loop between visual inspection using microscopes and cameras and the remedying of any faults that may have been detected."It is certainly possible to automate the inspection process for CCD production and we are looking at ways of automating it," says John Morcom, manager of CCD cameras at EEV.

He envisages using computers to position a silicon chip and automatically carry out measurements of the tiny parts on the surface. The CCD image sensors are only about 10mm square and have "thousands of electrode structures on this tiny silicon sheet," Morcom says.

"Dimensional accuracy is crucial to the effective working of the devices," he adds. The technique covered by the company's patent is intended to determine the dimensional accuracy and accuracy of alignment of the chip components.

EEV uses microscopes and electronic cursors to measure features on the silicon surface as small as two millionths of a metre (2 microns), to a precision of two tenths of a millionth of a metre (0.2 microns). The silicon chip charge coupled device is viewed through a microscope fitted with one of the company's CCD cameras.

In the metallurgical industry, the Olympus Optical company of Japan has developed image analysis systems that have a direct link between the inspecting microscope and metallurgical works. The equipment is the Cue 2/3/4 desk-top image analysis system and is designed for use with all IBM personal computers.

The system is able to count, for example, all patches in particular shades of grey in a magnified microscope image of a metallurgical sample. These colour patches represent chemical elements or alloys and can be interpreted through a computer program that compares the test sample under the microscope with a standard sample.

Roger Stacey, the general manager of the scientific equipment division at Olympus Optical, says the microscope image, suitably enhanced to bring out the required details, can then be fed as an electronic signal, down the line from the microscope laboratory to a computer terminal in the production department of, for example, a steelworks. "The metallurgical process can be changed automatically in response to the data from the microscope image," Stacey says.

Olympus is already talking to a metallurgical casting company about installing one of the first systems to link the image from a microscope directly into the production works.

The automated microscope image analysis system is also suitable for applications such as textiles, dyes, paints,inks, fibres and geological materials and samples. In all these cases, the image data from the microscope examination of a test sample can be fed to a computer in the production centre, where the production parameters can be varied almost immediately and a fresh sample sent for microscopic examination and verification.

At Harwell, AEA Technology, set up to exploit the technology of the UK Atomic Energy Authority, is concentrating microscopy work on what Ian Buckley-Golder, the manager of the surface science and technology department, describes as "ex-situ, off-line applications."

Harwell is researching a high temperature scanning electron microscope which enables industrial processes to be observed in real time as they happen. The technique has been used to examine, at up to 10,000 times magnification, what happens at the surfaces of two aluminium workpieces when they are brazed together.

The technique involves an electron microscope with a heated anvil, about the size of a small coin, in a vacuum chamber. The samples are heated at between 400-500 deg C, when it is possible to study, for example, the effect of impurities on the brazing process. "You can also study the effect of cleaning processes and oxygen and watch what happens as the brazing proceeds," Buckley-Golder says. "If the amount of oxygen is too high, the braze material sits like a ball of mercury on the aluminium workpieces and brazing does not take place."

High temperature electron microscopy has been used to help perfect techniques for brazing the one-metre square and 10m-20m long aluminium heat exchangers for air liquefaction plant, but the technique can be used to examine other high temperature processes as they take place.

One of the most advanced microscopy techniques being developed at Harwell has come to the rescue of NMB, a Japanese manufacturer of memory chips that wanted to test the purity of its semiconductor properties. By analysing the impurities which lay at the bottom of a tiny hole on one of the chips Harwell could discover the exact properties of the contents. But the hole was only seven tenths of a millionth of a metre in diameter (0.7 microns) and 4 microns deep.

The technique, called electron microprobe analysis, involves firing electrons on to the surface with the hole. The electrons produce X-rays from their interaction with the impurities at the bottom of the hole. The X-rays have a wavelength that is characteristic of the impurity.

According to Buckley-Golder: "This is like throwing a ball from the Moon to a pot seven inches in diameter and four feet deep on the Earth, letting the ball hit the bottom of the hole and then catching the ball."

Time to implement a security policy

COMPANIES must establish a security policy, endorsed at the highest level and underpinned by new security technologies, to counter the ever growing threat to systems security.

That is the message in a report from IT consultancy Butler Cox, based on an extensive survey of its Foundation members. Roger Hart, who conducted the investigation, says the financial loss from security failure can amount to as much as £400m to £2bn.

Companies need to draw up a formal security policy, says Hart, implemented by a security team reporting to a board member. Its responsibilities should encompass risk analysis, assessing appropriate levels of security (absolute security is hard to conceive) and business and system priorities.

For many organisations that priority means eliminating accidents and errors – which Butler Cox says still account for 95 per cent of all systems security incidents. But others, perhaps concerned about bad publicity from security breaches, will be more concerned with preventing deliberate actions. Butler Cox quotes French experience, which shows that while the number of deliberate action was minimal – 4 per cent – this accounted for nearly 50 per cent of financial loss in 1988.

Hart estimates that "rather few" UK companies, perhaps less than 20 per cent, have begun to put a comprehensive security policy in place, and what policies there are are typically driven by computer contingency plans. Hart believes that companies also need to build a security ethic – and attitude of mind not dissimilar in character to quality awareness – to make the policy stick.

The prospect of technology curing itself is two edged. Companies are looking for protection from new security techniques but the IT environment is getting harder to police: open systems and electronic data interchange increase the risk.

"You can try to fix passwords until you are blue in the face," says Hart, and not surprisingly, organisations are weighing the alternatives. Hart points to two routes: authentication and smart cards for basic security, and biometric sensors for high security systems.

Authenticators are hand-held, calculator-like devices which carry an encryption-type algorithm. After entering a personal identification number into a standard terminal, the user puts a computer-generated challenge into the authenticator, which calculates a response for the user to enter into the terminal. If the response matches what the computer expects then the user gets access.

Smartcards use the same principle, except that the processing logic that authenticates the user is embedded in the card. Biometric sensors, on the other hand, identify a physical feature of the user – anything from fingerprint to a retinal scan. IBM's Transaction Security System has a signature verification facility – it compares values stored in a Personal Security Card with the acceleration and pressure applied when a user signs on.

However, security control is not just about access to the systems, but to its parts as well. The security implications of network computing systems emerged as the major concern in the Butler Cox survey. "It is a miracle to get disparate systems to talk to each other over a network at all, never mind getting their security features to co-operate. And as you couple the network to the outside world, the problem only multiplies," Hart comments.

This issue goes to the heart of operating systems design. What is needed, Hart says, is better access control software, and while it is becoming available for a small range of multivendor environments, computer suppliers still have a lot of work to do.

On that basis it is fair for companies to assume the worst – that despite tighter access and greater security consciousness, systems security will be breached. The least they can do then is to monitor access properly.

Some communications or database management systems, for example, capture log-in information, which can form the basis of an access report. And expert systems may eventually offer a more rigorous way of detecting anomalies.

Dave Madden

MANAGEMENT: The Growing Business

In brief. . .

■ The successful entrepreneur is more likely to have a background in big company management than to fit the profile of enthusiastic amateur. He will usually remain in the business sector he knows and be a good communicator, able to put his case persuasively to customers and potential financial backers.

In addition, the product or service he offers will need to be better or different but not necessarily cheaper than those already on the market.

This picture of the ideal entrepreneur emerges from the Venturer of the Year Award which aims to find the individuals who have made the best use of venture capital over a five-year period.

Overall winner of the award and winner of the "large start-up" category was Headline Book Publishing, started in 1986 by Tim Hely Hutchinson, a former managing director of publishers Macdonald.

With £1.3m of start-up capital and two subsequent fund-raisings totalling £2.1m, Headline penetrated an already crowded field dominated by established publishing groups. In 1990 it made pre-tax profits of £609,000 on sales of £7.8m.

The competition was sponsored by Business magazine, Cartier the Jewellers and the British Venture Capital Association.

■ The environmental effects of new products or services may be assessed when an application for a business loan is being considered under a scheme recently introduced by National Westminster Bank.

The environmental impact could have a bearing on the viability of the business proposal and any claims that a product is environmentally friendly must be soundly based, the bank said.

NatWest will meet at least 50 per cent of appraisal costs.

■ New businesses based on a British invention or idea may be eligible for The Prince of Wales Award for Innovation. Awards will be made at the innovation and production stages of the venture on the basis of commercial viability, originality and technical merit. Winners receive a certificate and the right to display the award emblem.

Contact Awards Office, Business in the Community, 227a City Road, London EC1V 1LX. Tel 071 490 2173.

Small Firms Service

A secret which is well worth knowing

Despite its low profile, this government body has valuable specialist advice to offer, reports **Charles Batchelor**

Gordon Cheeseman, a counsellor with the government's Small Firms Service, has spent an afternoon listening to the two owners of a small home extensions business explaining their problems. Now he has some tough advice.

"You have built a business but it is out of kilter. You are one step ahead of the sheriff and if you continue as you are now you have only a limited life ahead of you. You don't have up-to-date management accounts so you don't know if you are ahead of the game. A lot of work has to be done."

Turnover of the three-year-old business more than doubled to nearly £300,000 in 1989 but costs have run out of control and it has notched up a large loss. Neither of the owners is drawing a regular salary; their personal and business debts are mounting; and it is clear that unless drastic action is taken the business will fold.

Despite this they are enthusiastic about their extensions and convinced that they offer a better quality than many much pricier competitors.

Cheeseman, whose friendly but thorough questioning has exposed the management weaknesses concealed under the enthusiasm, explains what he thinks they must do.

"You either need the involvement of another company which can bring in management skills in exchange for equity or you can go back to the drawing board, draw up a business plan and suggest a refinancing formula which your bank manager will buy."

Cheeseman advises the two to think about his suggestions and draw up a more detailed plan. "Don't decide today (Wednesday)," he says dryly. "You have bags of time, to Friday or Monday. But call me with a short list of what needs doing. I won't call. The initiative must come from you."

Cheeseman's visit and the questions he has asked appear to be the first occasion on which the two business owners have stepped back and attempted to analyse their problems. Their bank manager has not in the past insisted that they prepare a business plan and they have not used their accountant for any financial planning.

With their finances clearly deteriorating, one of the partners has followed the advice of a friend's father and got in touch with the Small Firms Service (SFS), a business counselling service run by the Department of Employment.

Cheeseman is one of a team of 36 counsellors – most of them in their 50s and all with experience of either big or small business – in London. Throughout Britain there are about 400 counsellors. They are paid just £50 a day so their motivation is not financial. Most do it "for fun" and to keep their business skills sharply honed. The SFS says it sets high standards for its counsellors and only takes on one applicant in 10.

The SFS provided more than 50,600 counselling sessions in 1989/90, 7,000 more than the year before and more than in any year since it was founded in 1972. Enquiry clerks also handled a further 317,000 telephone enquiries on the Freefone Enterprise number. Businesspeople who call on the counselling service are entitled to three free sessions and up to another seven at £30 each.

Despite the rapid growth of the service in recent years it has not established a high profile for itself among the range of competing organisations providing help for the smaller firm. A National Audit Office report (Assistance to Small Firms. No 655. HMSO £4) published in 1988 concluded that the potential market was undoubtedly greater than that which was being reached.

The Forum of Private Business, a small firms lobby group, suggested the SFS should be renamed the *Secret Firms Service* after a survey of its members showed that 57 per cent did not know of the SFS's existence. Compared with the £250m spent over the past three years on the DTI's Enterprise Initiative, which subsidises small and medium-sized businesses employing outside consultants, the sums spent on the SFS – £8m in 1989/90 – have been puny.

The experience of Gordon Cheeseman's two clients appears to confirm the SFS's low profile. They were told they needed something called the Small Business Agency. This turned out to be a private consultancy but it was able to refer them on.

The future funding and organisation of the SFS is to undergo radical change as its activities are taken over by the Training and Enterprise Councils (TECs) which are being set up to deliver training and small firms assistance on a local basis. Some TECs are already employing SFS counsellors.

While Gordon Cheeseman has been unravelling the tangled affairs of his clients, another SFS counsellor, Brian Black, has been spending a day helping Concours Motor Company, a Haslemere, Surrey car dealer, develop quality control systems.

Bernard Smith, founder and managing director of Concours, had started out on his own looking at BS5750, an all-embracing British Standard for quality, but realised after a few months that he needed expert help.

Black knows the motor industry – he ran his own dealership until he sold out 15 months ago. This is his seventh session at Concours, which has sales of £13m and a workforce of 52 people.

Closeted in Smith's small office overlooking Haslemere's picturesque main street, Black, Smith and John Holcroft, Concours's quality controller, spend the morning discussing how orders for service or parts should be entered in the books; how to deal with items supplied by customers such as baby seats which have often been used before and may lack fixing bolts, straps and fitting instructions.

When the three men break for lunch the office table and floor are covered with papers. "The normal garage owner is so busy he just doesn't have the chance to get this sort of thing done," says Black.

Concours and the home extension company are both established businesses dealing with wide-ranging management issues so Cheeseman and Black have visited them at their premises. Start-up businesses or established companies with a specific problem may be dealt with in 1½ hour sessions at one of 13 local small firms centres.

It is one these shorter counselling sessions which brings Brian Black into the SFS's London office near Victoria Station the following morning. Like the other five counsellors on hand that day Black has three appointments scheduled.

One is with two former car salesman who hope to set up in business delivering new and used cars to dealers. Dealers frequently swap cars with rival dealers or between their own branches to meet customers' requirements. Many use salesmen to move the cars – which means the salesman is not selling – or else they entrust expensive vehicles to part-timers or retired people.

Black's two clients know their industry and have carried out some preliminary market research but they want an outsider's assessment of their prospects and some detailed advice on how to get started.

"Don't get too carried away with the favourable response to your initial proposal," Black warns. "People will look at your idea much harder when they actually have to put their money down." He advises them to keep start-up costs low by working from home and gets them to itemise what their spending will be in the first few months – on insurance, buying trade licence plates, telephones and promotion.

"I'd tell someone if I thought his business idea really didn't stand a chance but otherwise it's not my job to knock people down," says Black after the session. He has nevertheless helped two more would-be entrepreneurs temper their enthusiasm with reality. The high failure rate among small businesses – even in buoyant economic conditions – suggests the sort of assistance provided by the SFS will remain in demand in future.

To contact SFS dial Freefone Enterprise on 0800 222 999.

Angels form the majority in US

Investors in small companies are mostly individuals, **Charles Batchelor** reports

Private investors or "business angels" represent the largest source of external equity capital for small businesses in the US, according to surveys* carried out for the Small Business Administration, the US government's provider of finance and advice to small firms. Private individuals invest at least two to three times the $4bn invested annually by venture capital companies in the US.

Despite its importance, the national market is made up of hundreds, possibly thousands of fragmented, localised markets in which information is passed on by private correspondence, or by word of mouth and transactions are conducted in private, the surveys showed.

Investors have for the most part had entrepreneurial experience themselves and describe their principal occupation as either business owner or manager. They have an average age of 47; a higher income than the average American though they are generally not millionaires; and they are normally highly educated with 72 per cent having a college or postgraduate degree.

The firms in which they invest are very small – 57 per cent have fewer than four employees and 90 per cent have fewer than 20 employees at the time of investment. Seventy per cent of firms are either start-ups or in their first year and most are within 50 miles of the investor's home or office.

Most investors are active and invest on average in two companies within a 36-month period. Many make loans to the investee company as well as providing equity. The average equity investment is $37,500 with an additional $21,400 in loans and loan guarantees.

They invest with, on average, two other investors and make their expertise and support available to the investee firm as well as their money. Usually they do not require majority control and they prefer common stock or an interest in partnership equity to convertible stock, debentures or notes with warrants.

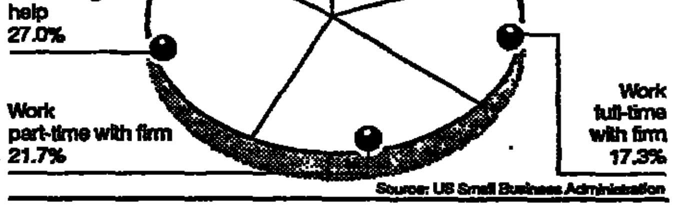
Private investors generally expect to liquidate their investment in about four years though many retain their holdings for 10 years or more. The average period of ownership is 5.1 years.

Investors reject seven out of every 10 proposals because they have insufficient growth potential, their equity is overpriced or they have inadequate information about the entrepreneur or key personnel.

Most investors contacted for the surveys were satisfied with the performance of their past investments and were interested in making new ones if they could find viable deals.

**Results reported in The Informal Supply of Capital by RJ Gaston and SE Bell of Applied Economics Group. Available from The Office of Economic Research, Small Business Administration, 1441 L Street, NW Washington DC 20016, US. $10 inc. p&p.*

Investors' involvement in firms



Source: US Small Business Administration

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The Taylors Partnership,
Chartered Accountants, 51 Queen Anne Street, London W1M 9FA.

Wanted

Residential lettings Companies in Central London and Suburbs.

Principals only please write to Box H7350, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

WANTED SECONDHAND PLANT

Blast furnace suitable for manufacturing pig iron approximatley 50,000/100,000 tons P.A.in working condition

Write to Box H7343, Financial Times, One Southwark Bridge, London SE1 9HL

PUBLISHER/ PUBLICATIONS

Acquisitive company wishes to buy established publisher or publications, trade or consumer.

Contact in complete confidence
Vivian Ashworth, Chairman,
EXPO INTERNATIONAL,
402 Southbank House,
London SE1 7SJ.
Tel: 071 582 9116/Fax: 071 582 4272

PLANT HIRE COS

for acquisition or merger. Write in confidence with full details to

The Managing Director,
Box H7347, Financial Times,
One Southwark Bridge,
London SE1 9HL

TAX LIABILITIES We will normally pay a substantial premium for near dormant companies with tax liabilities over £1m. Fax +41 21 828 1019 Tlx: (045) 84011111 BANK G.

OFFICE EQUIPMENT

INTERNATIONAL COMPUTER COMPANY IN RECEIVERSHIP

Large quantity of quality office furniture immediately available.

Executive Desks in American Walnut with matching Credenza and Cupboards	from £195
Teak Desks 6' 5' and 4'	from £100
Oak and Grey desks	from £100
3 Directors Suites	from £900
18 Meeting tables	from £220
182 Operators Chairs	from £ 50

All furniture must be sold before the end of October.
Above items may be purchased in small lots.
No machinery available
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BUSINESSES FOR SALE

Humberts Leisure

By Direction of the Portledge Hotel plc

For Sale the Lease of the Portledge Hotel, Bideford, Devon

- One of the most lovely and historic hotels in the country.
- 26 bedroom suites and planning consent for 51 further suites.
- Conference facilities and separate garden carvery.
- Mansion house of the Coffin family dating back from 1068.
- Access to secluded sandy Atlantic beach.
- Standing in 1,000 acres of the freeholder's park and farmland.

Full details: Exeter Office, Tel: (0392) 211555
24/1386/JNS

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Licensed Leisure Premises

- Single storey 21,000 sq.ft. modern portal framed building with open span.
- Conversion opportunity for 20 lanes of Ten Pin Bowling, nightclub or similar D2 (leisure) use.
- High catchment area.

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25 Grosvenor Street
London W1X 9FE
Fax 071-493 4345

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By Order Of The Administrative Receivers
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W STOCKDALE (SHOPFITTERS) LIMITED

SALE, MANCHESTER

Company profile: Established 1947
currently employing 27 people

Over a period of years a large customer base has been formulated including a number of "Blue Chip" clients. The spacious workshops allow the handling of a full range of contracts, this is complimented by a dedicated reliable team of both young and "time served" craftsmen.
This is an excellent opportunity for someone wishing to recapitalise a business of this nature or alternatively for an existing business to expand or diversify without losing the quality and professionalism of the already established operation.
For further details and Inspection of the Premises please contact: Administrative Receivers Office: POPPLETON & APPLEBY, 32 High Street, Manchester.
Tel 061-834-7025.
Agents: CHARLES TAYLOR & SONS, 2 Mason Street, Salford, Manchester. Tel 061-834-4418.

HEALTH CLUB BUSINESS FOR SALE

- PRIME LOCATION IN IMPORTANT AND AFFLUENT WEST ENGLAND TOWN
- WELL ESTABLISHED AND THRIVING CLUB WITH OVER 1000 MEMBERS
- EXCELLENT FACILITIES AND FULLY DEVELOPED OPERATIONAL SYSTEMS
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- FULL MANAGEMENT TRAINING PLUS ONGOING CONSULTANCY SUPPORT.

LEASE, GOODWILL, FIXTURES, FITTINGS, CONSULTANCY £95,000
CONTACT AGENT FOR VENDOR ON 0525 378248 QUOTING REF. F798

OPTICAL STORAGE COMPANY

An opportunity to acquire leadership in optical disk drive manufacturing

A company whose primary focus has been on R&D has been recently restructured for market growth and profitability with positive cash flow. This company is seeking acquisition by a strategic partner.

For information inquiries may be directed to:

J.A. Moak, Managing Director,
International
JHM Executive Alliance
P.O. Box 17054
Fountain Hills, Arizona 85269-7054
or Fax: 602-837-0177 (U.S.A.)

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Designers and Manufacturers of handbags, travel and leather goods. Available for disposal on going concern basis including fully equipped modern factory premises, work in progress, orders in hand and customer profile.

All enquiries: L J Gerrard, FCA Administrative Receiver
Gerrards, Adam House 14 New Burlington Street
London W1X 2BU
JW/40097 Telephone: 071-439 6791 Fax: 071-434 2612

GERRARDS
SOLVENCY

COMPANY FOR SALE

Subsidiary of a plc for sale on a going concern basis. The Company undertakes paving and road works, its main customers being Public Authorities in Greater London and the Home Counties. In its last financial year it made a pre-tax profit in excess of £300k and has net assets in excess of £700k. For details please contact

Norman II Davis or James R Austin
Lane Heywood Davis
Chartered Accountants
47 Queen Anne Street
London W1M 0DN
Phone 071 486 5001 Fax 071 935 0453

Smith & Williamson

Corporate Finance · Corporate Recovery · Taxation · Banking · Investigations
Investment Management · Pensions & Life Assurance · Accounting · Auditing

The Joint Administrators offer for sale the Business and Assets of

Protective Materials Limited

PML. CEEMAR

The company is involved in the formulation, manufacture and distribution of specialised resin systems.

- ★ Annual turnover £2m
- ★ BS 5750 Registered.
- ★ Leasehold premises in Ford, Sussex.
- ★ Sales office in Cannock, West Midlands
- ★ Blue chip customer base
- ★ Experienced work force

For details, contact Peter Mills or Ruth Duncan on 0903 723951 or 071 637 5377 at the offices of Smith & Williamson, No. 1 Riding House Street, London W1A 3AS. Fax: 071-323 5683. Telex: 25187.

Smith & Williamson, Chartered Accountants. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

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The Joint Administrators offer for sale the Business and Assets of

MINERALITE LIMITED

The business comprises the manufacture and distribution of specialised exterior wall finishes.

- ★ Worldwide distribution licence for the Mineralite product range.
- ★ Annual turnover of £750,000.
- ★ Leasehold premises in Sussex.

For details, contact Peter Mills or Ruth Duncan on 0903 723951 or 071 637 5377 at the offices of Smith & Williamson, No. 1 Riding House Street, London W1A 3AS. Fax: 071-323 5683. Telex: 25187.

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MANUFACTURER HOME AND LEISURE GOODS

T.O. £1.3M G.P. £250K. Suppliers to major retailers under own name. Easy to relocate. Three acre freehold site with 80k sq. ft. covered may be available. Location Surrey.

Write to Box No. H7365, Financial Times, One Southwark Bridge, London SE1 9HL.

BUSINESSES FOR SALE

Touche Ross

Transliner Limited

(In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of the above company.

- ☐ Commercial vehicle bodybuilder established 13 years.
- ☐ Turnover £3.5 million per annum.
- ☐ Fully equipped 39,000 sq. ft. leased premises in Wolverhampton, West Midlands.
- ☐ Excellent reputation within industry for temperature control, dry freight and specialist bodywork.
- ☐ Quality paint and refinishing facility.
- ☐ National customer base.
- ☐ Highly skilled workforce.

For further information please contact the Joint Administrative Receiver A.P. Peters or R.H. Brown at the address below.

Member DRT International

Kensington House, 136 Suffolk Street Queensway, Birmingham B1 1LL. Tel: 021 631 2288. Fax: 021 631 4512.

Authorised to carry on Investment Business by the Institute of Chartered Accountants in England and Wales.

Microwave Modules Limited

The business and assets of this company, designers and manufacturers of electronic equipment for hi-tech communications and security systems, are offered for sale by the Joint Administrative Receivers.

- Annual turnover approximately £1.7m
- International customer base
- Expertise in point to point microwave communications and TV security systems
- Highly skilled professional staff
- Conveniently located for motorway network
- Leasehold premises in Aintree of 7,000 sq.ft.

For further information, contact the Joint Administrative Receiver, Frank Taylor, FCA, Ernst & Young, Silkhouse Court, Tithebarn Street, Liverpool L2 2LE. Tel: 051-236 8214. Fax: 051-236 0258.

Ernst & Young

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Expertech Limited

ESTABLISHED MARKET-LEADING EXPERT SYSTEMS COMPANY

The Administrative Receiver offers for sale *as a going concern the business and assets of* Expertech Limited.

Principal assets include:

- Main products Xi Plus and Egeria
- International distribution network covering some 20 countries
- 26 full-time staff including proven product development, sales and consultancy teams
- Modern leasehold offices in Slough with easy access to London, M4 and Heathrow

For further details, please contact the Administrative Receiver, Jason Elles, Ernst & Young, Apex Plaza, Reading, Berkshire RG1 1YE. Tel: 0734 500611. Fax: 0734 507744.

Ernst & Young

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

ELECTRICAL ENGINEERS AND CONTRACTORS

Based in London. Solid customer base. Turnover circa £700,000. Profitable company.

Please write to box H7351, Financial Times, One Southwark Bridge, London SE1 9HL.

U.S AGRICULTURAL PUBLISHER

Sale or merger: Small (US$300,000 gross) US agricultural business publisher. Two respected magazines in agricultural business and biotech. Opportunity to develop in to international magazines.

Write box . H 7369 Financial Times One Southwark BridgeLondon SE1 9HL

Small Security Company for Sale in Northwest London

Write to Box No. H7365 Financial Times One Southwark Bridge London SE1 9HL

For Sale

High margin third party computer maintenance business. Blue chip customer base. Pre-tax profits in excess of £100,000.

Write Box H7346, Financial Times, One Southwark Bridge, London SE1 9HL

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SIGMA LIMITED

(In administrative receivership)

Designers and manufacturers of standard and custom metrology equipment; and electro-mechanical switches and sensors. Turnover £8 million pa, 100 employees.

For sale by the Joint Administrative Receivers the business and assets including:

- -Modern 60,000 sq ft leasehold factory and office premises in Letchworth, Hertfordshire
- -Stock, plant and machinery
- -Blue chip customer base, UK and overseas

Please contact:
Peter DuBuisson or John Hill
Joint Administrative Receivers
BDO Binder Hamlyn
20 Old Bailey
LONDON
EC4M 7BH
Telephone: 071 489 9000
Fax: 071 489 6295

BDO BINDER HAMLYN

Chartered Accountants

BDO Binder Hamlyn is authorised to carry out investment business by the Institute of Chartered Accountants in England and Wales.

SELECT GAUGES LIMITED

(In administrative receivership)

Manufacturers of "Select" tungsten carbide gauge blocks, with well equipped NAMAS approved calibration laboratory. Turnover £850,000 pa, 42 employees.

For sale by the Joint Administrative Receivers the business and assets including:-

- -Leasehold premises situated outside Plymouth. 7,500sq ft including 1000sq ft calibration laboratory.
- -Stock, plant and equipment.
- -Substantial order book, UK and overseas customers.

Please contact:
Peter Dubuisson or John Hill
Joint Administrative Receivers
BDO Binder Hamlyn
20 Old Bailey
LONDON
EC4M 7BH
Telephone: 071 489 9000
Fax: 071 489 6295

BDO BINDER HAMLYN

Chartered Accountants

BDO Binder Hamlyn is authorised to carry out investment business by the Institute of Chartered Accountants in England and Wales.

HERALD ENGINEERING EQUIPMENT LIMITED

(In administrative receivership)

Designers and manufacturers of optical profile projectors. Turnover £2.8 million pa, 50 employees.

For sale by the Joint Administrative Receivers the business and assets including:

- -Modern leasehold premises in Skipton, Yorkshire
- -Stock, plant and machinery
- -Substantial order book
- -Blue Chip customer base, UK and overseas

Please contact:
Peter DuBuisson or Lynn Houghton
Joint Adminstrative Receivers
BDO Binder Hamlyn
20 Old Bailey
LONDON
EC4M 7BH
Telephone: 071 489 9000
Fax: 071 489 6295

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Chartered Accountants

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AND ACQUISITION

Business Agency, Corporate Acquisitions & Disposals, Rating, Rent Reviews & Valuations
14 offices, in London and throughout the UK

BUSINESS FOR SALE

Andrew Dick (Holdings) Limited and Subsidiaries

In Receivership

The Joint Receivers offer for sale the businesses carried on by the Andrew Dick Group as a whole or individually, all of which have a good customer base and ongoing order book, comprising:

I Andrew Dick & Son (Engineers) Limited

Specialising in precision sheet metal work and operating from owned works at Waverley Street, Coatbridge in the Monklands District of Strathclyde in Scotland. The works extend to some 58,000 sq.ft. on a site of approximately 5 acres. Turnover in the year to 31 March 1990 was £3.7m. The assets comprise the heritable property with good craneage, plant and machinery and stocks.

II Sanderson Structures Limited

Specialising in design, detail, fabrication and erection of structural steelwork operating from owned premises at Lochrin Works, also in Coatbridge. The works extend to some 75,000sq.ft. on a site of approximately 7.5 acres. Turnover in the year to 31 March 1990 was £3.6m. The assets comprise the heritable property also with good craneage, plant and machinery and stocks.

III Andrew Dick (Workington) Limited

Specialising in precision sheet metal work and operating from leased premises extending to some 20,000 sq.ft. at Workington, Cumbria in England. Turnover in the year to 31 March 1990 was £1.3m. The assets comprise the leasehold property, plant and machinery and stocks.

IV William Bain & Company (Fencing) Limited

Palisade fencing manufacturers also operating from the Sanderson Structures factory at Lochrin Works, Coatbridge. The assets comprise plant and machinery and stocks.

Enquiries, offers and arrangements to view, to Frank Blin and G. Ian Rankin, Joint Receivers, Cork Gully, 209 West George Street, Glasgow G2 2LW, or contact Receivers' staff at Companys' premises. Telephone 041 226 4894 Fax 041 221 8256

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on Investment Business

Cork Gully

Touche Ross

The Winterbourne and VP Holdings Groups

(In Administrative Receivership)

The Joint Administrative Receivers, Mr N. R. Lyle and Mr D. L. Morgan, offer for sale the business and assets of these substantial Groups of companies including:

Winterbourne Construction Limited

- ☐ groundworking contractor for major residential developers and local authorities;
- ☐ approximate annual turnover of £15 million;
- ☐ freehold properties, including commercial and prestige residential property in the Swindon area and in Reading.

Transplant Limited

- ☐ plant hire business supplying major construction companies and local authorities;
- ☐ approximate annual turnover of £6 million;
- ☐ depots at Swindon, Reading and Bristol;
- ☐ modern hire fleet.

Wheelies (Swindon) Limited

- ☐ vehicles hire business supplying cars and commercial vehicles and vehicle maintenance services to a wide range of customers including local authorities;
- ☐ approximate annual turnover of £3 million;
- ☐ depot at Swindon;
- ☐ modern hire fleet.

Hillmead Joinery Limited

- ☐ joinery manufacturers;
- ☐ well equipped workshop in modern leasehold premises in Swindon;
- ☐ approximate annual turnover £500,000;
- ☐ customers in both the residential and commercial construction sectors.

Marlborough Homes Limited

- ☐ residential building and general building contracting business;
- ☐ approximate annual turnover £2 million;
- ☐ freehold development sites (residential and commercial) in the Swindon area and Bracknell;
- ☐ modern leasehold premises in Swindon.

To obtain the sales documentation please contact Mr A. Brown at:

Member DRT International

Friary Court, 65 Crutched Friars, London EC3N 2NP. Tel: 071 480 7766. Fax: 071 480 6881.

Authorised to carry on Investment Business by the Institute of Chartered Acccountants in England and Wales.

PUBLISHING GROUP

5 Business Titles plus several year books, North Home Counties to South Midlands. Turnover in excess of £1million plus. This is an established company that would provide sustantial profit when merged with a similar size publisher wishing to expand into a business market little affected by current climate. Lead title produces £300k+ advertising revenue on 8500 controlled circulation. Owners will consider offers for either the company as a whole and/or individual titles. Good management, editorial and advertisement sales force backed by sophisticated admanagement computer system. Principals only please.

Reply to Bright Grahame-Murray, Chartered Accountants, 124 Seymour Place, London WH1 6AA. Ref 9/RDT.

OFFSHORE JERSEY COMPANY FOR SALE

Sole asset - luxury 84 ft motor yacht fully equipped and crewed, based Cannes, South of France. Current T/O from charter operations in excess of £100K p.a. No borrowings. Offers around £385K.

Tel: 010 33 93 60 01 03
Fax 010 33 93 60 09 85

PHARMACY FOR SALE

In historic Midlands town, 3 miles from M40, with permission to relocate to prominent freehold site by new doctors surgery.
Expected turnover £400,000+
Suit pilot for traditional chain or investment. Owner may assist part time if required.

Write Box H7344, Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE

Rapidly growing and successful group of companies in the public house, restaurant and hotel sectors. Excellent property portfolio based in the South East, group net assets in excess of £2.0m, annualized turnover c.£4.5m. Write to Jeffrey Warner Elliott, Chartered Accountants, Maypole Road, East Grinstead, West Sussex RH19 1HU. Tel: 0342 410480. Fax: 0342 410476.

For Sale Printing & Stationery Business

South coast business, established many years, available on retirement of owners. Stationers' shop in prominent position in the town centre, and a separate printing works, both freehold. Trade close to £800,000 a year.

Write Box H7361, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

STAFF AGENCY GROUP

Small but established 3 offices group of staff bureaux in three adjoining towns in northern home counties. All producing good permanent and temporary figures from excellent leasehold locations. Good name and designer image ready for further expansion. Excellent management and staff.

This is a profitable company being offered for sale by a group whose resources do not permit further expansion owing to other non competing interests.

Serious offers for the limited company from principals only.

Reply to Bright Grahame Murray, Chartered Accountants, 124, Seymour Place, London W1H 6AA. Ref 9/RDT

FIBROUS PLASTER GRC

MANUFACTURING AND CONTRACTING BUSINESS FOR SALE

Long established operation based in Yorkshire
Skilled workforce - Fully equipped workshop with modern workshop/offices, complete library of moulds.
Freehold available for sale, or lease.

Principals only apply to Box H7355, Financial Times, One Southwark Bridge, London SE1 9HL

NORTHERN ENGLAND

Two quality hotels comprising 140 bedrooms. Combined t/o of £3,000,000 net of V.A.T., with £1,000,000 Profit. An urgent sale required.

Write Box H7345, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

QUALITY ASSURED ENGINEERING BUSINESS

Manufacturer and distributor of quality assured industrial fasteners, situated in the west Midlands close to the motorway network. Turnover £1.3m with a National customer base reflecting the companies commitment to total quality.

Write to Box H7357, Financial Times, One Southwark Bridge, London SE1 9HL.

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BUSINESS AIRCRAFT

Sales • Operating Leases
Insurance • Support Package
Management & Crewing
EXECUTIVE JET CENTRE·HEATHROW

Fields

Tel: 081-759 7815
Telex: 8952145
Contact Neil Harrison Fax: 081-759 7305

Publishing Company

with specialist marine publication not yet published, but which has proven potential and seeks a buyer. All enquiries treated in strictest confidence.

Write Box H7380, Financial Times, One Southwark Bridge, London SE1 9HL

LONDON BUILDING COMPANY

For Sale or Merger established over 40 years. Good location in West End. Excellent management.

Write to Box H7363, Financial Times, One Southwark Bridge, London SE1 9HL

IN BRUSSELS, BELGIUM clothing company (S.A.), ideally situated in a prestigious avenue, with 33 millions BF tax deductible losses, for takeover. Write to: Mrs DALIERS, 15 rue bois Paris, 1380 LASNE (Belgium).

WELL ESTABLISHED CIGARETTE machine business based in West Yorkshire. Net profit £35,152 pa from 4 short days work a week. Involves filling machines in pubs, clubs etc. Ideal for male or female car driver working from home. Full training given. Price £80,750 plus SAV. Write Box H7338, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

BUSINESSES FOR SALE

The business and assets of the following two companies are available for sale as going concerns.

BOLTON WOODS BRICKS

BENCH-MOULDED BRICK MANUFACTURERS

Location: Bradford, West Yorkshire.
Principal features comprise:
* Established range of quality hand-moulded bricks
* Additional range of smooth blue bricks to class A quality
* Production capability of 160,000 bricks per week
* Modern purpose-built leasehold premises of 65,000 square feet
* 'State of the Art' production plant
* Experienced workforce of 50 employees

PANEREEL

SPECIAL BRICK SPECIALISTS

Location: Bradford, West Yorkshire.
Principal features comprise:
* U.K. market leader in production of special bricks
* Reputation for extensive diamond tool machining capabilities
* Annual turnover in the region of £1 million
* Highly profitable track record over past five years
* Skilled team of 20 employees

For further details of the above businesses, please contact Martin Shaw at:

KPMG Peat Marwick Corporate Recovery
City Square House, 7 Wellington Street, Leeds LS1 4DW. Tel: (0532) 450331. Fax: (0532) 424377.

Aluminium Treadplate Wholesale

The Joint Administrative Receivers offer for sale as a going concern the business and assets of Tip Top Trading Limited, wholesalers of Aluminium treadplate.
Principal assets include:
* Valuable freehold premises near Aylesbury set in a 1.43 acre site
* Nationwide customer base; mostly truck, trailer and walkway manufacturers
* Turnover approximately £900,000 pa

For further details, please contact the Joint Administrative Receiver, Jason Elles, Ernst & Young, Apex Plaza, Reading, Berkshire RG1 1YE. Tel: 0734 500611. Fax: 0734 507744.

Ernst & Young

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Springate & Hatfull Limited T/as PYLON INDUSTRIES

The Joint Administrative Receivers offer the assets of the business for sale.

The company is based in Crayford, Kent having been founded in 1952. It operates in the field of precision engineering in the Defence and Aerospace industries and has a renowned reputation within the industry. Notable features are:—

* Skilled workforce of 100, approximately
* Substantial Freehold premises
* Turnover £3M p.a. (approx)
* Current order book £1.5M+
* Registered to A.Q.A.P.1
* Modern C.N.C. workshop

Interested parties should contact Mr. Neil Geddes, the Joint Administrative Receiver at Wettern House, 56 Dingwall Road, Croydon, CR0 0XH quoting reference L2111/TJD. Telephone: 081-681 8389 Fax: 081-681 8402

LEVY GEE

Metal Fittings Ltd
Industrial Service Outlets Ltd
(In Receivership)
Horsham

Metal Fittings designs and manufactures purpose built electrical switchboards and motor starter control panels, as well as providing fabrication and painting facilities.

Industrial Service Outlets Ltd manufactures load bearing electrical and mechanical ground service outlets mainly for airport and hangar application.
* Annual Turnover £2.5m
* Freehold Property 24,000 sq ft
* Highly skilled workforce
* Substantial contracts in progress
* Prestigious client list.

For further details please contact Len Handscombe or Maurice Withall, Grant Thornton, Ashdown House, 125 High Street, Crawley RH10 1DQ.
Tel: 0293 561383 Fax: 0293 561 392

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

FOR SALE OR MERGER: FULLY RECOGNISED PROFITABLE ADVERTISING AGENCY ESTABLISHED IN 1980 AND BILLING £7 MILLION. OPERATING FROM TWO LOCATIONS WITH A TOTAL OF TEN PERSONNEL. 1989, TURNOVER £2.2 million GROSS PROFIT £400K.

The agency is part of a group which wishes to dispose of its interest in order to concentrate on other activities. All personnel can be retained and are a businesslike, no frills team of energetic profit makers.

Replies invited from principals only making substantial offers by way of cash and or shares, earn out propositions considered.

Reply to Bright Grahame Murray, Chartered Accountants, 124 Seymour Place, London W1H 6AA. Ref 9/RDT.

DO YOU REQUIRE ENTRY INTO THE U.K. D.I.Y. MARKET? FOR SALE

Long established highly profitable private manufacturing company. T/o approx. £600,000 per annum.

For details principals only write Box H7340, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

PUBLIC COMPANIES FOR SALE

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Authorised Investments Plc
First Mutual Mortgage Corporation Plc
(Or your choice of name & objects)
Authorised Capital £1,000,000
Trading Certificate for Immediate Borrowing & Trading
£800
CORPORATE REGISTRARS
Tel: 0222 382115 Fax: 0222 382118

Touche Ross

The Carpet Factory Limited
(In Administrative Receivership)

The business and assets of the above company are offered for sale. The company is engaged in the retailing of fine furnishings, carpeting and bedding.

Main features are:
- ☐ Leasehold property near to Leeds city centre comprising 26,925 sq. ft. retail warehouse, storage area and offices.
- ☐ Further leasehold properties at Ipswich, Hove and Tunbridge Wells.
- ☐ Turnover for the year to 31 March 1990 £2.6 million.
- ☐ Uncompleted orders in respect of goods not yet received.

For further details, contact the Joint Administrative Receivers Gurpal S. Johal and Ralph S. Preece, at the address below.

10-12 East Parade, Leeds LS1 2AJ.
Tel: 0532 439021 ext. 269. Fax: 0532 445580.
Authorised to carry on Investment Business by the Institute of Chartered Accountants in England and Wales.

Member DRT International

The Joint Administrative Receivers offer for sale the business and assets of

David Gilliat Associates Limited

The company has a well established estate agency business trading from Boroughbridge, Thirsk, Ripon and Northallerton.. The business comprises:-
* Freehold and leasehold property
* A client base of approx. 250 properties
* Annual turnover approx. £120,000

For further details contact E. Klempka, Joint Administrative Receiver of Coopers & Lybrand Deloitte, Albion Court, 5 Albion Place, Leeds LS1 6JP
Telephone: 0532 457332 Fax: 0532 434567

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Coopers & Lybrand Deloitte

PRESTIGIOUS SHOP to let in downtown GENEVA (SWITZERLAND)

Exceptional location particularly convenient for **Jewellery** or other luxury line business.

For further information please contact **Inter Development Consulting**, phone 41-22.28.01.20, B.P. 61-1180 Rolle Switzerland.

DOMESTIC WATER PURIFICATION BY OZONE TREATMENT

- Final prototype stage
- Initial run ready to build
- Unique ozone production equipment
- Patents applied for
- Development ceased though lack of funds

Product, equipment, stock and patent applications for sale
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ARTS

Avant-garde in print

William Packer on exhibitions at the British Museum and Accademia Italiana

Avant-garde British Printmaking 1914-1960, the title of the exhibition now occupying the Prints & Drawings Gallery of the British Museum (until January 6), needs some amplification. The period covered is very much that of what we call, in general terms, *Modern British Art* — which, but for that intrusive *Avant-garde*, might here have served just as well. The difficulty lies precisely with the portentous epithet, that has by now become so worn and slippery by thoughtless, casual use as to be all but innocent of meaning.

Avant-garde sounds good, urgent, even important, but does it really mean that small, active, cohesive body whose duty it is to go on ahead of the main force, to reconnoitre and prepare the way; probing and testing the strength of the opposition? The very idea presupposes organisation on both sides, force and counter-force, and artists, whether advanced and experimental or soundly traditional and academic, seldom conform to it. The likes of Van Gogh and Gauguin might fit the bill, just about, but Bonnard, Matisse, Cézanne...?

So what is meant by *Avant-garde* in this particular context is nothing more than the conventional engagement in making art that is seen to be contemporary — that is, thoroughly modern in its preoccupations and ambitions. But all art is modern art in its time, to be distinguished only by the quality of its modernism. Which brings us to a second quibble, not of usage but of discrimination in the material choice.

The earlier part of the period of this show overlaps the great revival of British Printmaking, which ran out of steam just before the Second World War. In the previous 80 years or so, it had made available the techniques of printmaking, most especially those of etching and engraving, directly to artists themselves. This was a great achievement and the truer revolution in its way, though it had the unfortunate side-effect of establishing an ethos of specialisation that hangs over us invidiously even today. There were, there are printmakers who may or may not do other things, and there are painters and sculptors who choose occasionally to make prints, or have them made for them.

It is the unintended irony of this current exercise that if there was such a thing, the true *Avant-garde* of British print-making, in terms of its creative and technical engagement with the medium, is to be identified with the artists of this earlier period, from Whistler through to such as Strang, Brockhurst and the young Graham Sutherland, and their work finds no place in this exhibition. Instead we discover a succession of artists, each more or less advanced in his own time, of which only a few were ever committed to print-making other than as an occasional and possibly profitable diversion.

To be fair, artists such as Edward Wadsworth just after the First War, with his woodcuts of ships in dazzle camouflage, Stanley Hayter at his widely influential Atelier 17 in Paris, and variously Claude Flight, Anthony Gross, Blair Hughes-Stanton, Edward Bawden, Michael Rothenstein and Gertrude Hermes, were all doing work that could only truly be resolved through the medium of the print, of whatever kind. For the rest, this exhibition is but a brisk and effective resume of *soi disant* British modernism in the first half of this century, as expressed in print, the artists simply and not unreasonably exploiting the opportunity the print affords to disseminate their work to a wider audience. We may be happy after all to accept the work of Nevinson and Nash, Bomberg and Nicholson, Freud and Paolozzi, as *Avant-garde*, but it is not their print-making that makes it so.

The Futurists have perhaps a truer claim to distinguishing themselves as an *avant-garde*, for in the short period of their enthusiastic notoriety under Marinetti before the First World War, with their manifestos and manifestations, they were nothing if not active, embattled, energetic and, for a moment, even cohesive. But again, with *Futurism in Flight*, the delightful exhibition now at the Accademia Italiana (24 Rutland Gate SW7, until October 13: sponsored by Aeritalia), certain reservations must be entered.

The aeroplane may well have been for them the perfect image and inspiration, the true apotheosis of the machine — ever faster, higher, freer. But the period of the exhibition runs from 1914 to 1945, which begins with the Futurists' disillusionment and effective disintegration as a movement, and ends with the world ravaged a second time by the very machinery that was their fondest hope. And in the meantime what we follow is the assimilation of the outward show of Futurism into conventional style, graphic, elegant and inventive as may be, but in essence decorative.

Art deco is everywhere, often overlaid with an abstracted and surreal symbolism, giddy with vortices and vertigo. Taken individually, many of the images work spectacularly well, and the more direct they are the better. Tato swoops and circles over the *Colosseum in his biplane*. Crali in the cockpit of his fighter loops and jockeys for position, or looks down on the parachutist as he falls through the belly of the aircraft, a moment of truth indeed.

'Two People', a wood engraving by Gertrude Hermes, 1933.

Two Threepenny Operas

SCHAUSPIELHAUS, COLOGNE; KAMMERSPIELE, BONN

Is Bertolt Brecht's Dreigroschenoper an opera, a musical or a cabaret act? Two new productions just opened in Cologne and Bonn take fascinatingly different approaches: you pays your groschen and you takes your choice.

In Cologne, the controversial opera director Gunter Kramer opens his first theatre season with a trio of Brecht plays. For the stage of *The Threepenny Opera*, Kramer recalls Eisenstein's *Battleship Potemkin* with a gigantic steel staircase running from the orchestra pit to the loft of the theatre. During the Prelude, Brownshirts and Reds throw each other up and down it in slow motion until the true-blue Prussian police break them up with truncheons and a whore picks their pockets and kicks them offstage. Kramer freezes the image of 1928 Berlin, the year of *The Threepenny opera*'s first performance, as in a movie still — gangsters and screen goddesses, a big green Hollywood moon peering through the gaps in the steps, floodlit pink rain hammering on the steel as the tarts improvise newspaper umbrellas.

In a play about social relations gone awry, the staircase also has a symbolic function: no one can get a straight view of anyone else. So it is that big-city scandal simmers beneath unlikely collusions, criminals rubbing shoulders with city dignitaries. German history may not quite have danced to his tune, but Brecht's theme is nothing if not contemporary.

But above all this is the Brecht who knows the human heart, the warmth and wisdom distilled in his ballads — lines like "when everyone's chasing happiness, happiness is running behind" - drawn out to superb effect here. His characters too, are age-old figures; the female roles especially — never over-subtle in Brecht — are played as out-and-out stereotypes. Jenny (Traute Hoess) is the abandoned tart, Therese Durrenberger's magnificent Polly the nicely brought up girl in an ecstasy of unsuitable love at first sight, and Lucy, whom Angelika Mann plays entirely for laughs, a gauche schoolgirl "pregnant" with a red heart-shaped cushion.

This production cannot quite bring itself to admit real villains; both Jurgen Holtz's Peachum, the controller of beggars, and Martin Reinke as the chameleon criminal Mack the Knife, allow layers of appealing vulnerability to show through. Tossing words between them as if they were much loved objects, the high energy of this charismatic pair also extends to a deeply sensual delivery of Brecht's retoric.

There have been better sung *Threepenny Opera*'s, but what this ensemble lack in voice they make up for in legs, tilting perilously backwards and forwards on the steps, somersaulting feet over heads, carrying each other piggy-back. In the end Kramer overplays the polished effect — surely we could have done without a live horse on stage? — but the whole works as a beautiful piece of choreography, flawless in timing and symmetry. I would happily travel to Cologne a second and a third time to see this zesty joyful performance.

But is it Brecht? — a question reinforced by a more traditional rendering on offer up the river in Bonn, where a room under the stage of the Kammerspiele becomes a makeshift cabaret venue. Along with pulpit and piano come the archetypal Brechtian props — posters, placards and, *chez* Peachum, a fabulous screen showing different role models (the one-legged, the war-wounded) a successful beggar might adopt.

Peter Fischer takes the work as a satirical play leavened by Kurt Weill's catchy, malicious songs. His Peachum (Rainer Delventhal) is a truly horrible hypocrite in the English preacher mould; Macheath (Hans Schenker) a bullying lout whose on-off lounge lizard charm, down to pin-stripe suit and cigar, suggests he picked up his habits at an English public school. The English connection (Brecht used the story of John Gay's *Beggar's Opera*) is humorously and skilfully played up: Chippendale and Selfridges stolen goods at the wedding breakfast; a properly kitted out avuncular British bobby; Lucy (Barbara Crobath) looking like a porcelain cast English shepherdess.

In so small and simple a venue, Peter Fischer's attention to detail really comes into its own — in the pathos on the faces of his gargoyle-like beggars and crooks, used and abused by the big guys, for instance. Musically, this is a rough and ready production, and the pace of the acting has to speed up, but the closeness of the setting transcends this to give the best of the songs a palpable, thrilling quality: a red lamp dangles on an iron chain above the piano, the spotlight falls on a soloist like the singer (Wolfgang Ransmayr), and the result is unforgettable.

Jackie Wullschlager

'Celebration' concert for Kent Opera

It was murder, said Jonathan Miller — "a frivolous, dark and dreadful murder done by the faceless *nomenklatura* of the Arts Council on one of the most valuable institutions in the performing arts that this country has known in the past 20 years." Kent Opera having started him on his own distinguished career as an oper producer, Miller had good reason to speak out on Sunday night about how the company was forced last winter to close down, and probably not one of the audience for the commemorative concert at the Marlowe Theatre, Canterbury would have disagreed with his view. Norman Platt, who founded Kent Opera in 1969 and was for so long its artistic director, was the hero of this "celebration", a title merited by the mood and content of the evening.

Platt himself spoke of the company in the present tense and dropped hints of a future enterprise. The music aptly covered the four centuries of the company's repertory (Monteverdi to Tippett), and soloists, chorus and orchestra all gave their services in returning to perform under the baton of Ivan Fischer, whose succession to the artistic directorship was frustrated by the Arts Council's axe. The selections offered a number of moral parallels — the inspiration of a quest (*The Magic Flute*); the affirmation of loyalty (the second act of *Fidelio*, given complete). From Judith Weir, who had provided the company with a splendid full-length piece, *A Night at the Chinese Opera*, came a new five-minute Cantata on a Confucian theme, *Ox Mountain was Covered by Trees*, typical of the composer in transparent texture and clear rhythms: its text likewise urged us to treasure what we might too easily lose.

The evening thoroughly justified itself on musical grounds. Jacqueline Fugelle, Michael Chance and Andrew Shore were eloquent in Weir's Cantata and Neil Jenkins' tenor was commandingly displayed in a new orchestration (by Meirion Bowen) of Tippett's justly-admired song-cycle, *The Heart's Assurance*, to texts by Sidney Keyes and Alun Lewis, poets of the Second World War. Recalling a past triumph, Jenkins also evoked his marvellous Ulysses (this time in partnership with Janet Shell) from Monteverdi's opera. It was absolutely to be expected that here, and in Handel, the company would again muster an accompaniment of baroque instruments, and it was an additional pleasure to be reminded of the company's commissioning of fine new translations by Michael Irwin and Anne Ridler. All the extracts were, very properly, sung in English.

Moreover, the concert presentation took on, at times, a genuinely operatic excitement — especially so in the first vocal extract when Jonathan Summers and Meryl Drower dispensed with printed scores and threw themselves into a passionate delivery of the duet for Rigoletto and his daughter from the Second Act of Verdi's opera. This was not the only example of that direct, "un-cluttered" style of performance which Jonathan Miller praised in Kent Opera's work, linking it with the "open space" ideal of Peter Brook. Other soloists ably participating included Neill Archer, David Johnston, Claire Primrose, Thomas Lawlor, Peter Knapp and Geoffrey Moses.

Kent Opera's wider audiences in various regions of Britain deserved to experience such a celebration, too. This is not a spirit to be lost.

Arthur Jacobs

Sarrasine

DRILL HALL

Brush up your Balzac. Neil Bartlett has based this work, which was first shown in Edinburgh at the Traverse in August and has now arrived at the Drill Hall in London, on the short story of the same title, *Sarrasine* (1830) by Honore de Balzac. It concerns — I'm trusting the programme notes on this — the tale of Jean Ernest Sarrasine's love for the operatic castrato La Zambinella, and his discovery that La Zambinella is not a woman. And the tale is being told to Madame de Rochefide, whom it devastates; she vows celibacy.

Life and art; the public and private lives of a great performer; the diva with feet of clay; the fatal allure of the androgyne; the tale within a tale. What a story! I can't wait to read it. Bartlett's *Sarrasine*, however, is a kind of gender-bender deconstruction.

It's set in 1990, with flashbacks to previous and centuries. Leah Hausman, an American actress, plays Mme de Rochefide; but she becomes Sarrasine too. La Zambinella — played in triplicate by Bette Bourne, Francois Testory and Beverley Klein — becomes a cross between the drag-queen hero of *Torch Song Trilogy* and the weary centuries-old diva of *The Makropoulos Case*, and the play becomes, deliberately, a meditation on the obsessive/demented world of the opera-queen and of transsexuality as a performing art. Awkward terrain, awkwardly negotiated.

Bartlett also directs. Often, he tends to indulge himself on the play's tackier possibilities. Incense hangs cloudily in the air as you enter, and that's all that large parts of the play amount to: squirts of mystique around the divas' altars. La Zambinella is not only amorously but also artistically promiscuous. Her roles include Monteverdi's Poppea, Handel's Cleopatra, Cherubini's Medea, Bellini's Norma, Donizetti's Lucia and Puccini's Tosca, and she keeps breaking loose into suggestive revue numbers.

I squirmed through much of this. There are, however, nuggets of oddly piercing truth. In a late scene, all three Zambinellas take slow, calm, silent bows — raptly bathing in imaginary applause — above the dead body of Sarrasine/Rochefide. You think of Gloria Swanson's famous line in *Sunset Boulevard*, "I'm ready for my close-up now, Mr De Mille", and William Holden dead in the pool below. La Zambinella — insistently claiming her fee and her applause and her Great Lover, idolised most by those who do not sexually desire her, more driven in later years by memories of passion than by vocal talent — keeps recalling, not Maria Callas herself, but the fag-hag versions that have often been drawn of her.

It helps the play's complexity that the lover/fan is a serious, elegant woman (not a screaming queen). As for the three Zambinellas — an arresting assortment — nothing they do is bad, and in several places each one lifts the whole show.

The music, which is directed by Nicolas Bloomfield, is as uneven as the play. Not the least of *Sarrasine*'s achievements, however, is that all three Zambinellas sing with real musicality.

Alastair Macaulay

Alastair Muir

Francois Testory

London Philharmonic Orchestra

ROYAL FESTIVAL HALL

As so often in the past, the London Philharmonic went into its South Bank concerts at the weekend without the services of its former Music Director, Klaus Tennstedt, due to illness. This has been a recurrent theme over the last few years and may be one reason why the orchestra has moved to name a successor: the young Austrian conductor, Franz Welser-Möst, has been appointed to the post for five years and with immediate effect.

Too late, however, to take over the concert on Sunday. As with the other one of the pair last Thursday, this was now assigned to Yury Simonov, with whom the programme remained the same, even if the performances were doubtless very different. Whatever his eccentricities, Tennstedt is a conductor who always convinces you that his first and only concern is the music; whereas Simonov leaves no doubt that the spotlight is on the showman.

The evening began with a basically fine performance of Beethoven's Fourth Symphony, red-blooded and vigorous, often exciting. But as always with Simonov, there were unexpected sounds and emphases lurking round each corner, which could be regarded as either striking personal insights or an unwanted attempt to ginger up an already lively symphony, depending on your views. Either way the performance seemed to me over-interpreted.

For Chaikovsky's Sixth Symphony he unashamedly gave himself full rein. When drama is unleashed in the first movement development, the conductor had the London Philharmonic gallantly hanging on, as he took them on a hair-raising drive, fraught with explosive brass and timpani thunderclaps and riding close to the edge of climaxes as sheer as a precipice. This was edge-of-the-seat playing, ready to tip into hyperbole in every other bar.

To sober British listeners it might all be dismissed as outrageously over the top, if only other Russian conductors such as Mravinsky and Svetlanov had not taken us down this road before. Their way is to play any work by Chaikovsky as if every note is his last and that might fairly be said to be what this, of all symphonies, is about. One thing is certain: at Simonov's concerts you do not fall asleep.

Richard Fairman

ARTS GUIDE September 28-October 4

OPERA AND BALLET

London

Royal Opera, Covent Garden. *Turandot* in a production by Andrei Serban that counts as one of the company's most colourful and imaginative efforts of the last decade.
English National Opera, Coliseum. Highlight of the whole London operatic week is the city's first showing of *Greek*, an opera by the young English composer Mark-Anthony Turnage based on the Steven Berkoff play which caused a sensation on its previous appearances (in Munich and Edinburgh). The cast of four — Helen Charnock, Fiona Kimm, Quentin Hayes, Richard Suart — is conducted by Richard Bernas. More performances of the cogent, boldly Expressionist new production of *Wozzeck*, conducted by Mark Elder and Jonathan Miller's 1940s-style *Tosca* production — a good idea not very successfully realised.
Dance. Adzido, a pan-African dance ensemble, at Sadler's Wells.

Paris

Opéra. Gala opening with the stars and ballet corps in choreography by Lifar, Béjart, Balanchine, Jerome Robbins and Roland Petit on Wed is followed by a Serge Lifar soirée on Thur. Palais Garnier (47425371).
Théâtre de la Ville. Merce Cunningham and the Merce Cunningham dance company follow their first programme by *Polarity, August Pace* and *Pictures* with their unchanging revolutionary conception of contemporary ballet (42742277).

Brussels

Théâtre Royal de la Monnaie. The Monnaie Opera in Verdi's *Simon Boccanegra*, Sylvain Cambreling conducting, with sets by Gilbert Deflo and staging by Carlo Tommasi.

Amsterdam

The Netherlands Opera with its acclaimed new production of Richard Wagner's *Parsifal* directed by Klaus-Michael Grüber. Netherlands Philharmonic conducted by Hartmut Haenchen, with Barry McCauley in the title role (Wed). Muziektheater (255 455).

The Hague

Nederlands Danstheater with three Kylian ballets: *Overgrown Path, Soodebka* and *Sarabande* (Fri, Sat, Wed). AT&T Danstheater (360 4930).

Berlin

Opera. *Die lustigen Weiber von Windsor* has fine interpretations by Lucy Peacock, Gudrun Sieber, Patricia Johnson, Alfred Kuhn and Rüdiger Wohlers. *Der fliegende holländer* has Robert Hale outstanding in the title role. *Salome* has Catherine Malfitano in the title role, Leonie Rysanek (Herodias), Simon Estes (Jochanaan), Horst Hiesterman (Herodes), Clemens Bieber (Narraboth), conducted by Giuseppe Sinopoli. Also offered *Rigoletto* and *Der Barbier von Sevilla*.

Hamburg

Opera. The revived *Carmen*, conducted by Eri Klas has Alicia Nafe, excellent in the title role. *Elektra* with a strong cast and *Fidelio* with fine interpretations by Ana Puser, Josef Protschka, Hartmut Welker and Matti Salminen. *Tosca* has Natalia Troitskaya outstanding in the title role.

Frankfurt

Opera. *Macbeth* with Rosalind Plowright excellent in the title role. William Forsythe's ballet *Limb's Theorem* is again offered this week. *Iphigenie en Tauride*, sung in French.

Bonn

Opera. *Coppelia* has Youri Vamos choreography. The successful *Rigoletto* production by Graham Vick is wonderfully sung by Jean-Philippe Lafont in the title role.

Stuttgart

Opera. This week's repertory includes *Lohengrin* with Toni-Kraemer and Eva Randova, *Die verkaufte Braut* and *Werther*.

Munich

Opera. Rossini's *Mose* is well sung by Doris Soffel, Anne Pellekoorne, Manfred Schenk and Alejandro Ramirez. *Fidelio* is respectable with Sabine Hass, Paul Frey, Helmut-Berger Tuna and Claes H. Ahnsjoe. *Der widerspenstigen Zähmung* was choreographed by John Cranko. *Die vier Grobiane* rounds off the week.

Cologne

Opera. *La finta giardiniera* features David Griffith, Teresa Kingholz, John la Pierre, Janice Hall and Jane Bunnell. *Fidelio* brings Nadine Secunde, Matthias Hoelle, Hartmut Welker and Ben-Heppner together. *Siegfried* with Wagner specialists William Johns (Siegfried), Guenter von Kannen (Alberich), Tone Kruse (Erda), and Deborah Polaski (Brünnhilde).

New York

Metropolitan Opera. The season continues with Franco Zeffirelli's production of *La Bohème* with Mirella Freni, Placido Domingo and Brian Schexnayder, conducted by Christian Badea along with Zeffirelli's production of *Don Giovanni*, as well as *Rigoletto* conducted by Guido Ajmone-Marsan with Jerry Hadley in Otto Schenk's production (362 6000).
New York City Opera. The New York stage premiere of Schoenberg's *Moses und Aron* is conducted by Christopher Keene in Hans Neugebauer's production with Richard Cross and Thomas Young in the title roles. New York State Theatre, Lincoln Center (870 5570).

Chicago

Lyric Opera. Wolfgang Brendel has the title role in *Eugene Onegin*, conducted by Bruno Bartoletti in Pier Luigi Samaritani's production. *Alceste* continues with Jessye Norman in the title role, Chris Merritt as Admete and John Brandstetter as the High Priest in Robert Wilson's production conducted by Gary Bertini. Civic Opera House (332 2244).

SALEROOM

Openings in Berlin

In theory the art market is passing through its worst recession in a decade; in practice things are not quite so bad, at least at the top end of the market. Christie's yesterday held its first important sale of British ceramics of the new season. The morning session totalled £293,601, with 9 per cent unsold, a marginal improvement on a year ago.

London dealers seem optimistic and were buying heavily. Jonathon Horne paid £35,200, double the estimate, for a Chelsea white chinaman teapot and cover, which had some chips and restoration. In an effort to be as bullish as possible Christie's pointed out that it was an auction record for a Chelsea teapot. Using the same technique a record was also claimed for a Chelsea blue and white octagonal saucer which made £7,700. Only five such saucers, copying Chinese blue and white, have been recorded from the Chelsea factory.

A "Girl in a swing" white Holy Family group, modelled on a Raphael painting in the Louvre, was within forecast at £27,500. Ten years ago it sold at Christie's for £5,500. Albert Amor, another London dealer, bought a Chelsea fable decorated silver shaped plate illustrating the fox and the monkey, for £14,300, below forecast, and a similar plate representing the fox and the stork for £12,100, also just below forecast. A Staffordshire saltglaze blue two handled cup dated 1756 went to Alistair Sampson for £12,100 and a Chelsea model of a little hawk owl was within estimate at £10,450.

Last week Sotheby's announced that it was opening an office in Berlin, in East Berlin on the Unter den Linden, the historical heart of the city. Yesterday Christie's announced that it was opening two new offices in Germany, one in Frankfurt am Main and one in Berlin, West Berlin, in the new heart of the city, the Kurfurstendamm. They will be used to promote auctions and to attract goods for sale.

It brings to five the number of Christie's offices in Germany, but it has held no auction there for almost 20 years. Sotheby's in contrast has occasional sales in Munich, and in future intends to sell 20th century German Expressionist pictures, usually sold in London and New York, on the spot. It is one of the oddities of the art market that Germany has failed to become an international auction centre. The country has been too regionalised, its collecting tradition badly affected by World Wars. This could now change. Already antiques are moving out of East Germany and on to the international market.

Antony Thorncroft

FINANCIAL TIMES

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Tuesday October 2 1990

A token deal on US budget

EFFECTIVE and principled leadership in the Gulf crisis has won the United States much respect in recent weeks. But US domestic policy-making often appears, by contrast, to invite only disappointment.

Nowhere is this more apparent than in federal budget-making. After nine months of petty politicking, a budget deal of sorts has finally been reached. The President's men have eaten their master's words. But the President's credibility has been sacrificed almost in vain.

The proposed budget changes for the 1991 fiscal year – a feeble package of $40bn in tax increases and spending cuts – pales into insignificance next to the projected deficit of $294bn, which is more than 5 per cent of gross national product. Last January, the administration predicted a 1991 deficit of $100bn. But slower growth, higher interest rates and the interest cost of the additional public debt arising from the failure of so many thrift institutions have greatly increased the projected deficit.

There is no reason to believe this to be the final figure. Last year's budget deal set a target of $100bn under the Gramm-Rudman legislation. In the 11 months to September the actual deficit had reached $242bn. Observers warned consistently that the time to act to reduce the deficit was before recession struck. A significant tightening of fiscal policy is politically impossible when the economy is approaching a recession.

Foolish pledge

The no-new-tax pledge is revealed as foolish. Federal excise taxes will rise once congressional approval is granted. The proposed capital gains tax cut, a last lunge by the few remaining subscribers to the Reaganite view that the best way to raise revenue is to cut taxes, has also been dropped by the administration, at least for the present. Regrettably, no steps have been taken to control social security spending or reform the budget process.

The budget deal is more than just a one year package. It proposes a $500bn deficit cut over the next five years. But these targets are unlikely to be met: indeed, experience suggests they will not be. A five-year package involves no more tangible commitment to real deficit cuts than did the discredited Gramm-Rudman targets – just an empty promise of action in the future.

Third deficit

Meanwhile, concern over the twin deficits – in the budget and in external trade – has diverted attention from a third and growing deficit. The gap between the infrastructure and social needs of many regions of the US and the amount the electorate has been willing to vote to meet those needs, has widened, despite anger at poor public services. The budget deal does not address this problem. Spending cuts outweigh tax increases, though defence spending cuts and lower debt service costs account for part of the difference.

A gap has been created by the unwillingness of the US taxpayer to pay for the expenditures desired by the self-same person as a voter. It has been bridged, in part, by the transformation of the world's greatest power into its largest debtor in the space of a decade. Capital hungry developing nations have been crowded out of international capital markets as a result.

However disappointing, the budget deal is a step in the right direction. But the US will still borrow at least $250bn next year. On past performance, the outcome is likely to be worse. A significant rather than token cut in the deficit would have eased pressure on long bond yields and the costs of financing distressed US corporations.

Mr Alan Greenspan, Federal Reserve chairman, has given hostages to fortune by indicating willingness to cut interest rates if there were a budget deal. With deficits of this size and short-term nominal interest rates close to those in both Germany and Japan, his room for manoeuvre is limited, at least until world interest rates fall. At current interest rates the dollar is falling. A significant drop in rates could convert this unavoidable slide into a precipitate fall. Given the minimal content of the deal, Mr Greenspan's best response would probably be to ignore it.

Uphill task for Labour

THIS WEEK'S annual conference of Britain's Labour party may be the last to be held before a general election. If that be the case, the omens for Labour are mixed. Mrs Margaret Thatcher's government is unlikely to risk the verdict of the electorate next year unless it is confident of winning. In consequence, there is a possibility that the Conservatives will be tempted to hold on until 1992.

There is no way of forecasting today what might happen then. Labour has sustained a strong lead in the opinion polls throughout 1990. This is largely a function of voters' disgruntlement with the poll tax, inflation and high interest rates. Since the outlook for the economy is uncertain, Labour's strategy is to make itself ready as a plausible alternative government and wait for the Tories to face the voters.

The conference is about the degree to which that state of readiness has been achieved. Since 1987, when the Labour party was trounced for the third time in a row, its leader, Mr Neil Kinnock, has worked hard to transform it into the semblance of a modern European social democratic party.

The old party was deeply suspicious of Britain's membership of the European Community; the new one embraces it. Old Labour was unilateralist; new Labour is not. The party of 1987 proposed renationalisation of a goodly list of industries; the party of 1990 acknowledges, with qualifications, the victory of market economics over quasi-Marxist economics – although it plans to resume some form of state control over British Telecom and the water companies. The dying Labour party was ill-organised and subject to the machinations of leftwing cabals; the resurgent Labour party is firmly in the grip of Mr Kinnock's personal cabal.

Convincing the public

It is hardly surprising, therefore that Labour strategists regard the proceedings in Blackpool as an exercise in convincing the public that the extraordinary conversion that has taken place over the past three years is genuine. The natural Conservative reaction might be to insist that it is all camouflage – that beneath the reasonable-seeming smooth face of Labour there lies an old-fashioned socialist with staring eyes and fixed purpose.

Laudable aims

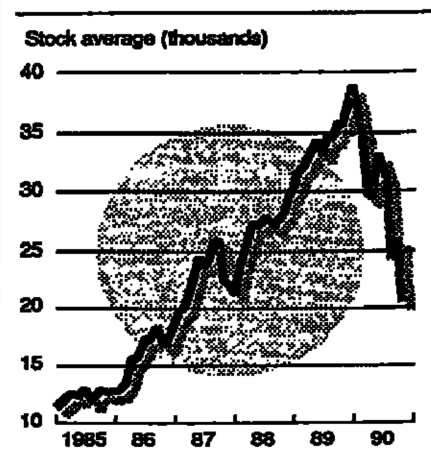
Such a line of attack will be difficult to pursue as the party puts forward its conservative-looking team of potential ministers, like Messrs John Smith and Gordon Brown. As a potential chancellor, Mr Smith focused on "how to allocate the national dividend created by economic growth." This would not be "squandered" on "irresponsible tax cuts for the better off", but spent on public services and infrastructure. The "crucial achievement" of the next Labour government would be to "create the best educated and trained work force in the whole of Europe." This is a desirable aim, though one that is more likely to take 50 than five years to achieve.

Mr Smith repeated Labour's undertaking to increase child benefit and pensions, which should mop up the harvest from its proposed extension of national insurance payments and increases in higher rate taxation. The question remains whether the inflation that the next government is likely to inherit, along with the commitment to membership of the exchange rate mechanism of the European Monetary System, will give more than a modest "growth dividend".

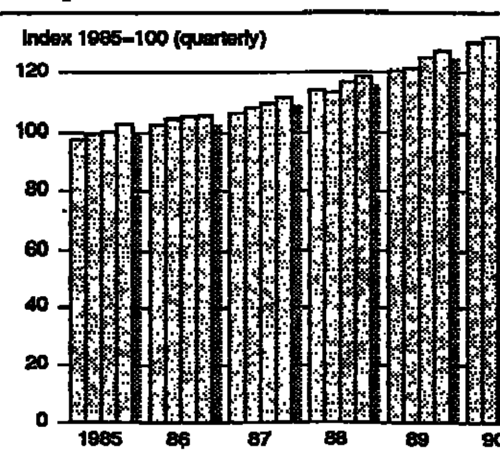
The overall picture is of an opposition that promises to do very little and hurt no one. Labour's conversion to a guarded form of market economics is an insufficient reason to vote for it, since the government can reasonably invite the electorate to vote for the party that has known markets best and believed in them longest. Its emphasis on education is promising; beyond that Labour is obliged to fall back on areas of lesser concern.

This package, as so far presented, seems unlikely to sweep Labour into power unless the Conservatives, despite all their efforts, find themselves obliged to call an election at a time of recession, rising inflation, and high interest rates combined. It is the possibility that this might, indeed, be the case that gives importance to this week's proceedings in Blackpool.

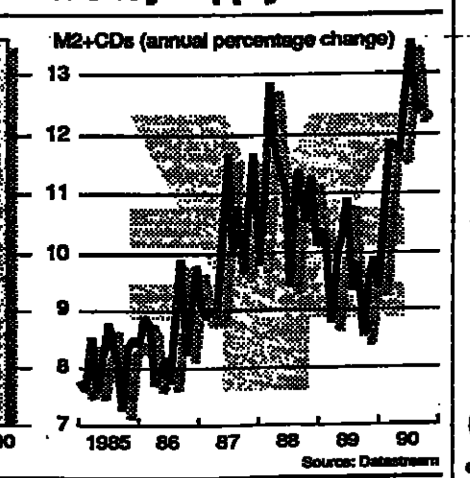
Nikkei



Japanese GNP



Money supply



Into the worst of seasons in Japan

The plunge in equities in Tokyo appears to herald trouble for the economy as a whole, writes Stefan Wagstyl

At the end of trading in the Tokyo stock market yesterday, stockbrokers painfully made another entry in the record books.

Following the day's 761-point drop to 20,221.86, the plunge in the Nikkei index from last year's peak of 38,915 expanded to 48.3 per cent – the biggest decline since the market fell 51.7 per cent during the Korean War. "Everything these days is the worst this or that, it's terrible," said one broker.

In the last few days, the atmosphere has verged on panic, with equities falling some 15 per cent in the last week alone. Last Friday, stockbrokers called 30,000 individual investors to stump up more collateral for shares bought on credit – the highest-ever number of margin calls in a single day. Trading in some small stocks has slumped to the point of illiquidity, especially in the over-the-counter market.

Worse, there are now growing signs that the plunge in equities is an indication of trouble ahead in the Japanese economy as a whole. A combination of rising interest rates, rising oil prices, falling stock prices and softening land prices, sharpened by fears of war in the Middle East, is undermining business confidence. Mr Ryutaro Hashimoto, the finance minister, yesterday warned of the risk to Japanese economic growth as he unveiled a package of measures aimed at supporting the stock market.

However, the economic disruption may be nothing like as great as Mr Hashimoto fears. Mr Yasushi Mieno, governor of the Bank of Japan, is still far more concerned about inflation – a consequence of rapid economic growth – than he is about recession.

The collapse in Japanese shares was originally triggered by the Bank of Japan's moves to tighten its grip on credit in order to ward off inflation after loose monetary management in 1985-88 had prompted a boom in equities and in land.

Iraq's invasion of Kuwait made things worse by adding fears of a possible war and a shortage of oil to Tokyo's cocktail of uncertainties.

Bears are prowling. Individuals have been selling stock to pay off investment loans. Few buyers have been willing to take their shares, with institutional fund managers largely staying out of the market. Some forecasters fear that a further decline in stocks could spark a sell-off in land with unforeseeable consequences.

Shares are unlikely to rise from current levels unless interest rates begin to look as if they might fall. Of this there is little sign. The Bank of Japan is committed to suppressing inflation, even at the cost of more declines in stocks.

The demand for credit remains high on all sides. Industrial companies have been forced to increase borrowings because raising capital is difficult given the current state of the equity market. They need funds to take advantage of continuing strong economic growth. At the same time, Japanese banks have been scouring the markets for funds to repair their balance sheets from the damage done to them by the plunge in equities.

Demand for credit remains high on all sides. Industrial companies have been forced to increase borrowings because equity capital is difficult to raise

After interest rates, investors' chief concern is oil. Japan is almost totally dependent on imported energy. The government's Economic Planning Agency calculates that every 10 per cent rise in oil prices reduces economic growth by 0.1 percentage point and stimulates inflation to the tune of a 0.1 percentage point increase in consumer prices.

The Bank of Japan believes that inflation is the greater threat, not least because economic growth is so strong. It fears consumer prices, which are now rising at a rate of under 2.5 per cent, could spiral were growth to go unchecked.

But there are signs that the Ministry of Finance is becoming increasingly worried about a possible slow-down in the economy, as Mr Hashimoto, the finance minister, warned yesterday. Before the invasion of Kuwait, the economy was forecast to grow by some 5 per cent in real terms this year and 4.5 per cent in 1991. Oil prices have since risen by about 100 per cent from $18 a barrel to $36. The rise has come too late to have much effect on this year's growth rate but the planning agency's calculations suggest that if oil prices stay at current levels, economic growth could fall to 3.5 per cent.

That may sound healthy by US or British standards but is slow for Japan. In the worldwide recession of the early 1980s, economic growth in Japan dipped below 3 per cent year-on-year in only two quarters. According to national surveys, companies have yet to cut their capital spending plans in response to the rise in interest rates and a possible slow-down in growth. Increases of about 14 per cent are forecast for 1990. But 1991 could be different: economists are preparing to cut their estimates from pre-invasion levels of 7-8 per cent to below 5 per cent.

Even this could turn out to be an over-estimate. In recent days, news has begun to emerge of companies planning cuts. Yesterday Asahi Chemical, a leading manufacturer, confirmed it was postponing plans to expand an ethylene production plant. Ethylene capacity has been expanding rapidly in Japan in response to growing demand. But the company said the Middle East crisis had created sufficient uncertainty for Asahi to change its plans. An official said: "It's too big a risk. We don't want to commit commercial suicide."

If companies cut investments, and if exports are hit by a slow-down in the US, can Japanese consumers take up the slack? Consumer spending remains buoyant, despite the turmoil in the stock market. Japanese individuals have less than 20 per cent of their savings in securities, so the direct effect of a fall in equity values is small. Isetan, a leading department store, said a decline in sales was noticeable only in super-luxury goods. "Y10m (£40,000) paintings and jewellery are not selling so well. Y100,000 dresses are fine." Compared with other countries, Japanese consumers still spend little as a proportion of total gross expenditure, 54 per cent, the lowest level among the Organisation for Economic Co-operation and Development countries. However, even if consumer spending continues to increase, it is difficult to see it rising fast enough to compensate for any sudden drop in capital spending growth.

The great imponderable is the effect of the fall in equities on land. The increase in interest rates is putting pressure on property prices, with falls of 20 per cent or so reported in parts of Osaka, Japan's second largest city. But prices in Tokyo seem to have weakened by much less. Some speculative investors are in financial difficulties. The Bank of Japan wants to see land prices fall steadily, even at the cost of some bankruptcies, but it does not want to see a collapse of the scale seen in the stock market. Even if financial companies have been able to absorb most of the impact of the fall in stocks, no one in Tokyo believes they could absorb the impact of a collapse in land anything like as easily.

German unification

Curtain falls on an artificial division

By Willy Brandt

October 3 – the day of the ending of the division of Germany – is a date of great relief, a time of joy. That, indeed, is the feeling of the great majority of my countrymen and women.

Brandt: 'a day of great relief'

It must not be overlooked that there are other opinions. More than a few young people in West Germany find it difficult to reconcile themselves to the thought of unity. Some – not the worst of our citizens – fear a wrong turning down the path of nationalism. Another worry for some of the population in the Federal Republic concerns the expected cost of unity. And, in what has been East Germany, many people had not reckoned with having to experience unemployment and social hardship.

I am sure that in only a few years' time all this will be behind us. I am not so certain, however, about the way that our European neighbours, and other partners, will react to the appearance of a larger Federal Republic. Germany's critical mass in Europe has again become a focus of preoccupation. The question is being asked: Will the Germans deploy their economic and political weight in a sensible way?

I find nothing strange about questions of this kind. But I hope that all those looking at Germany today will not lose sight of three important factors. First, having Germany divided by the force of foreign arms could not have been the last word of history. It can hardly be said that this was a guarantee for stability.

Second, the democratic system which was established just over 40 years ago in Germany's western zones has proved its ability to weather crises. This system of democracy and western liberalism will now be extended to what was previously the Soviet Union's occupied zone of Germany.

Third, the new Germany is no longer a national state of the old kind. On the contrary, it is a federal structure – and, in the future, will be even more so. Germany is already embedded in Europe, not only through treaties but also through the consciousness of its people. Germany can now become a 'motor' of European union which progresses beyond what we have so far accomplished in the European Community.

Those who still harbour anxieties should ponder on the external factors which helped make October 3 possible. The validity of Poland's western border has now been definitely established. Germany will remain in Nato, but with reduced armed forces. The renunciation of atomic, biological and chemical weapons is seen by the Germans themselves as a salutary act, not as a deed which humiliates them.

Soviet troops will be withdrawn, and the size of the western contingents stationed in Germany will be limited by treaty. This provides the right conditions for the successful establishment of a European peace order. That is more than one dared to expect a year ago. Twelve months ago, no one thought it possible that the division of Germany would be overcome so quickly; I know that I, at any rate, did not conceive of this.

I am certainly aware that the changes in our country would not have been possible without the revolutions in the former Eastern bloc. And I also see that the uncertainties in the Soviet Union and in central eastern Europe could pose considerable problems for us all – not just for us in Germany.

But even against this background I believe that the expanded Federal Republic will be a stabilising factor. Germany will contribute to the process of structural change in eastern Europe. This German commitment must not and will not be allowed to lead to drawbacks for other parts of Europe. We will also not forget the global challenges posed by the gap between North and South.

Greater international responsibility will now fall upon Germany, and I have no doubt that the Germans will live up to it. When I look around, I see no reason why I should not rejoice at what this day will bring for us: the end of a period of artificial division.

Willy Brandt was West German Chancellor between 1969 and 1974. He is honorary chairman of the German Social Democratic Party

OBSERVER

Conjurors to the board

■ Whether or not miracles turn up to abate the financial storm centred on Japan, many finance-sector employers seem to credit money with magical properties. They believe that if they brandish enough of it, anything they want will appear – including people with whatever skills they need.

Take for instance the nine banks (including three of the big four) and eight building societies surveyed by Eileen Cronin of Manchester Business School. While their personnel chiefs were all on the board, none took active part in making strategy.

Before deciding on a plan, their board colleagues took account of whether the necessary capital, premises, equipment and so on would be forthcoming. But the same question was never asked about the human skills required. It was simply assumed that the personnel chief would conjure them up.

Warning that conjuring will no longer work has just been posted by Amin Rajan of the Centre for Research in Employment and Technology in Europe.

Having analysed the trends, he predicts that the City of London's falling need for securities dealers and the like will be outweighed by rising demand for knowledge-workers such as lawyers, accountants and software engineers. The necessary recruits will not materialise at the waving of bags of money; employers will have to do some training.

Even so, whatever heed City companies pay to trend-analysis in other aspects of business, experience suggests they are unlikely to do so where human skills are concerned. There, the safest bet is that they will go on believing in magic.

One thing some of them do *not* believe in, by the way, is the necessity of improving services to customers.

One of the building society chiefs interviewed by Eileen Cronin told her: "We introduced a customer-care programme over 18 months ago. Everybody else seems to be doing exactly the same thing, so I'm not sure whether we are not just ratcheting the whole thing up."

One stone

■ Nevertheless caring spirits in the City have come up with one market-economy solution to two social problems: overcrowded British prisons and business fraud.

They say a set proportion of fines imposed on those convicted of shady dealings should be devoted to building new prisons, or modernising existing ones. The results could then be named after their "benefactors" and marked by foundation stones or tasteful commemorative plaques.

Red rag

■ Red flags, the Internationale, and May Day workers' parades are probably the last thing thousands of Soviet Jews moving to Israel want to meet in their new home.

That thought has not escaped some of Israel's Labour Party. While attached to such socialist symbols, it desperately needs support from new immigrants to revive its electoral strength.

Two younger Labour Knesset members, Chaim Ramon and Yossi Beilin, propose it should drop the symbols, and even rename itself the Democratic Party. But the idea has provoked bellows of derision from elders wedded to the party's staunchly socialist traditions.

"Base expediency", roared fellow MP Ya'acov Tsur. "We do not throw away ideas and their symbols to curry favour with anyone."

"I just had a big idea, but I've forgotten what it was."

Behind the dispute lie two pressing questions of Israeli politics.

One is how newcomers from the Soviet Union will vote. Will they opt for Labour's relatively conciliatory Palestinian stance or go – like many past Soviet immigrants – for the much tougher stance of the Likud Party of prime minister Yitzhak Shamir?

Question two is who will shape Labour's ideological future: the old-guard left or younger men such as Mr Beilin, a close associate of his party leader Shimon Peres whose economic beliefs are anything but socialist?

Trail-blazer

■ Traditions are tumbling apace even in the Gulf. There is a woman taxi-driver in Dubai.

My colleague there saw her with his own eyes, although other cabbies he told of his discovery utterly refused to believe it.

Her name is Lily, and she is from the Philippines. What's more, she claims to have a woman colleague in the same radio-taxi firm, Intertaxi.

They believe they are the only women cab-drivers in the region, although others are employed as private chauffeurs – the job Lily did till August.

The relatively liberal emirate of Dubai is almost always the Gulf leader in new ideas. "Dubai," says Lily, "is the best."

Gospeller

■ Ludwig Erhard Foundation, that august German body which spreads the gospel of free-market economics, is shortly to have a change of chairman.

Otto Schlecht, veteran state secretary at the Bonn economics ministry, is likely to be elected at the end of the month and take up the chair at the start of next year.

The foundation has been run for 10 years by Karl Hohmann, who headed Erhard's press department when the legendary "father of the economic miracle" was economics minister and chancellor.

The foundation keeps alive the word of Erhard through publications and seminars, and through dispensing an annual prize for journalists and economists.

Schlecht, a jovial 64-year-old Swabian, is expected to give the foundation a much higher profile – especially in the present area of East Germany, where the need to break out of 40 years of communism makes marketing capitalist values a priority task.

Second opinion

■ A US group's personnel chief asked its newly acquired Latin American subsidiary for a list of all staff employed, broken down by sex.

The reply was: "No staff broken down by sex. Our problem is alcohol."

LETTERS

Oil stocks: the West risks a self-inflicted wound

From Mr Robert Belgrave.

Sir, The governments which are members of the International Energy Agency chose Friday to ignore the well founded advice in your editorial comment ("Unnecessary oil shock," September 27) and refused to release emergency stocks to the market. They never learn from experience.

In 1982 a member of the staff of the IEA and I carried out a study of the relationship between volume shortage and prices in the oil crises of 1978/1979 (the Iranian revolution) and of 1980/1981 (the outbreak of war between Iraq and Iran). We concluded that at no time in either crisis did the shortage of supplies logically warrant the extent of the price rises.

The increases were aggravated in 1979 by the uneven impact of shortages, by uncertainty as to what if anything consumer governments would do, and by buying for stock by governments, companies and speculators alike. We concluded that the high prices of 1979 were a self-inflicted wound by western governments.

Price rises in 1980/1981 were far less severe because all concerned were quickly convinced that supplies were going to be adequate and that local shortages would be made good.

That study and its sequel were published by Chatham House.

In the sequel, Future Crisis Management, I wrote: "A relatively minor supply cut, on the scale of 1979 (2.5m barrels a day) could again lead to steep price increases and severe economic effects, unless measures are taken in advance to avert this result. It makes no sense to maintain expensive military capability to protect western oil supplies whilst neglecting the relatively simple measures available within the oil chain itself to avert or damp down a crisis."

I recommended that additional stock, equivalent to five days consumption be held by governments for automatic early release through the IEA mechanism, in order to avoid the ideological arguments and squirrel instincts which have once again inhibited action.

It does not seem to be generally understood that the notion of x days' supplies of stocks refers to total consumption. Thus, if as now, present stocks are near 100 days and the shortage is under 5 per cent, stocks would theoretically last for 2,000 days from the date of first release

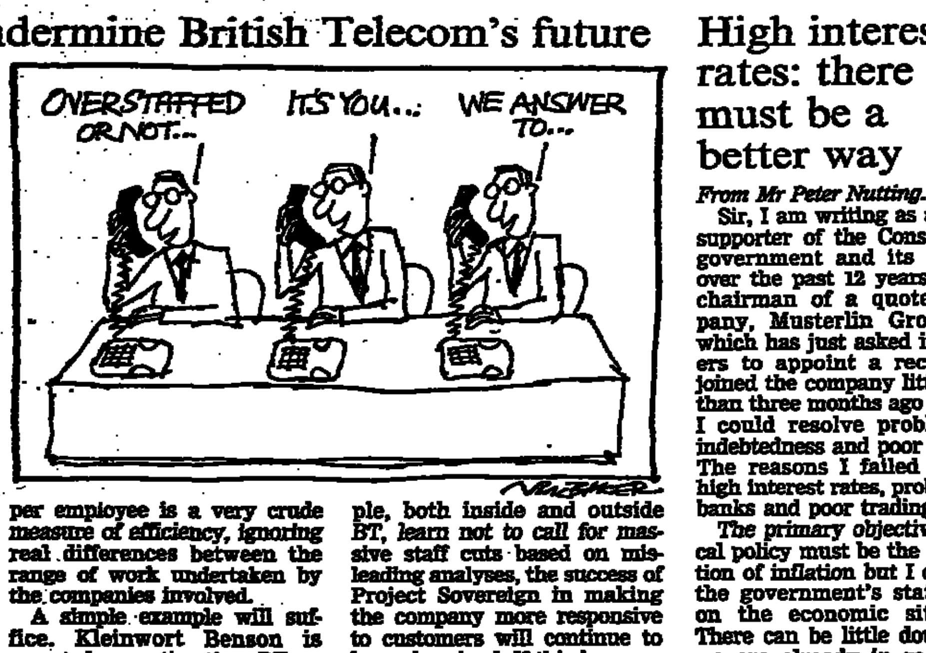
For what eventuality are stocks now being held back at a time when steady release to the market would do more to stabilise prices than the whole battery of exhortation, criticism of oil companies and hopeful official statements? We risk suffering another self-inflicted wound and so forfeiting the rewards of what you rightly praise as "the firm and united military response to the Gulf crisis".

Robert Belgrave,
West Lodge,
Piddlehinton, Dorset

Staff cuts will undermine British Telecom's future

From Mr Simon Petch.

Sir, Your report ("BT plans 80,000 jobs cut in efficiency drive," *September 27*) predicts the loss of some 80,000 jobs in British Telecom over the next five years. BT has subsequently denied the story. However, the story does serve to highlight two key issues surrounding Project Sovereign.



The first is the way in which the project has been described both by the company and the media. It was originally intended as reorganising the company to reflect the different types of customers it serves.

This opportunity to make the company a more customer-facing organisation, able to be *a contender for the position of* one of the big five worldwide telecommunications providers for the 21st century, has been undermined by those within the company who have sought to use it simply as a means to cut staff. Quite apart from alienating the very people BT needs most if it is to improve its service, it reflects the appallingly short-sighted approach of those who cannot look beyond the next year or even the next quarter's results.

The second issue is the continuing myth that BT is seriously over-staffed, perpetrated primarily by those who appear to have a rather elementary knowledge of the telecoms business. The number of lines per employee is a very crude *measure of efficiency,* ignoring real differences between the range of work undertaken by the companies involved.

A simple example will suffice. Kleinwort Benson is reported as estimating BT as having 114 lines per employee, compared with 186 in Spain. This is based on Telefonica's total employment, but ignores the 37,000 employees of the sub-contractors which Telefonica uses. If they are included, the picture is reversed.

Such crude analyses are dangerous, ignoring key issues such as quality of service. Stories of waiting for years for a phone connection in Spain are legendary, but remain hidden behind such figures. Until people, both inside and outside BT, *learn not to call for massive* staff cuts based on misleading analyses, the success of Project Sovereign in making the company more responsive to customers will continue to be undermined. If this happens BT will not be a major world communications company.

Cannot the City understand that it is not how many employees the company has, but how much money it makes from the skills of these employees, this year and in the future, that matters?

Simon Petch,
general secretary,
Society of Telecom Executives,
Arthur Willitt House,
1 Park Road,
Teddington, Middlesex

High interest rates: there must be a better way

From Mr Peter Nutting.

Sir, I am writing as a strong supporter of the Conservative government and its policies over the past 12 years and as chairman of a quoted company, Musterlin Group plc, which has just asked its bankers to appoint a receiver. I joined the company little more than three months ago to see if I could resolve problems of indebtedness and poor trading. The reasons I failed include high interest rates, problems of banks and poor trading.

The primary objective of fiscal policy must be the elimination of inflation but I question the government's statements on the economic situation. There can be little doubt that we are already in recession. You only have to ask those who manufacture for the retail trade. In future overseas manufacturers will be supplying 85 per cent rather than 45 per cent of the clothing sold in Laura Ashley Stores. The construction sector and those who supply it have big problems and any bank manager will confirm that few of his corporate customers are trading at a profit.

Few of us have any doubt that any other government would have fared much worse than Mrs Thatcher over the past 10 years. More of us would be inclined to continue to support the Conservative Party if it admitted it had made mistakes in economic policy.

Do we really have to have such high interest rates? By what criteria can British industry invest to make a return on the cost of money? Any UK company has to earn a minimum return of 20 per cent on a new investment from day one or it should keep the money in the bank or refrain from borrowing. Our competitors can invest to earn half the rate of return. One accepts that high interest rates squeeze demand which will, at great cost, eventually reduce inflation. But there must be a better way.

One suggestion is a differential rate of interest, which would be lower for larger sums borrowed for longer periods. This would benefit industry and commerce at the expense of the individual. Another way would be to limit the interest rate charged by a lender to a margin of perhaps 7 per cent over bank base rate.

If credit card companies and the like were deprived of the opportunity of charging huge rates of interest which enables them to make massive provision for bad debts, there would be a significant reduction in credit. As a side-effect, it would save a lot of people from getting ever deeper in debt.

Peter Nutting,
North Breache Manor,
Ewhurst, Surrey

Sovereignty can be divided up, shared and pooled

From Mr Gary Miller.

Sir, Patrick Robertson of the Bruges Group (Letters, August 30) provides ample evidence of how in certain British political circles people still hold to an impoverished conception of sovereignty.

Of course sovereignty can be divided up and transferred, shared and pooled. That is what we have been doing ever since we joined the European Community. The constitutions of Italy, Germany and Ireland explicitly allow for this in relation to Community membership. The principle that sovereignty (or the supreme law-*making power*) can be divided according to function and distributed between different levels of government lies at the core of federalism – the system used by all the world's largest democracies.

Many of our EC partners are moving towards increasingly federal structures of regional government. This has the support of local business which recognises the advantages of having such a government on its side when seeking central funds, inward investment or external markets.

Only in this country does a large part of the political élite on both right and left cling to an unfortunate misinterpretation of the sovereignty doctrine to justify a view of British *raison d'état* which has been rendered obsolete by history.

The economics of the modern, interdependent world dictate that we tie our fortunes closely to those of our most immediate neighbours and forge a new identity with them which will be capable of competing with the world leaders, Japan and the United States.

To achieve this, the EC member states had to go beyond normal modes of co-operation which leave sovereignty intact, and to integrate themselves into one market, for which a new political authority was required to exercise certain powers of sovereignty in common. Thus, the old view of national sovereignty as something absolute, indivisible and unlimited had to be abandoned.

Is it not time for a revaluation of this principle in Britain in light of the fact that our accession to the Community is effectively irreversible, since there can be no serious alternative to full membership?

Gary Miller,
director,
Federal Trust,
1 Whitehall Place, SW1

Separate the track system from British Rail

From Mr Charles Hazell.

Sir, May I add to the recent correspondence suggesting a bold separation of British Rail from the government by extending the argument whereby both the track system and the freehold on which it lies are separated from each other and BR.

The air corridors are a national asset managed by the Civil Aviation Authority. Why not apply the same procedure to the track system?

The CAA has built up a competitive civil aviation industry which is second to none in Europe. Why should we not have similar conditions on the rail tracks on routes such as London to Manchester, Cardiff, Glasgow and Edinburgh? Perhaps the CAA team could be persuaded to take up the challenge of the railway industry?

Other state-owned railway operators will soon have access from the Continent to the UK network, offering the sort of dual monopoly system which it has taken so long to shake off in the air.

Let us move boldly now and separate British Rail plc from the track which may then be made available to newcomers with slots and en route facilities being managed by a track authority.

Charles Hazell,
16 Bemish Road, SW15

Long-term unemployment: the need to understand the real position

From Mr Peter Ashby.

Sir, Mr Peter Robinson's comments (Letters, September 28) amount to the most remarkable misrepresentation of my letter (September 24).

Full Employment UK is not seeking to blame long-term unemployed people for the emergence of a new underclass. We are saying that to help unemployed people you must first understand their real position, not the attitudes that some people in work would like them to have, but those that unemployed people themselves express.

We believe this new underclass only represents a minority of the long-term unemployed. No one really knows since large-scale quantitative research cannot probe deeply into individuals' motivations. But our experience tells us that most unemployed people still want to work and have little objection to what Mr Robinson dismisses as coercion (and what they tend to call their obligation or duty to work).

The case against obligation rests on one of two premises. Either you believe there are no unemployed people who are work-shy, or else you believe that if they are, they should be left in peace. The first view is, frankly silly, as anyone who works with the unemployed knows. The second is tantamount to supporting a basic income scheme for all – long given a respectable hearing by some of your most distinguished columnists, but nowhere near the political agenda in the UK.

The main sustaining force of the new underclass is their hostility to being forced into what they describe as dead-end jobs going nowhere. That is why the government must do more to assist low-paid workers in moving up the jobs ladder, if it is to tackle the growth of the underclass.

Number-crunching exercises that give individuals between two and 20 minutes to answer set questions cannot get you anywhere near understanding what makes them tick. This is where qualitative research comes into its own, which is how Full Employment UK became convinced of the case for vouchers. Mr Robinson might refer to vouchers disparagingly as special help, but they make a lot of sense to the long-term unemployed.

Peter Ashby,
Full Employment UK,
79 Prince George Road, N16

From Mr John Philpott.

Sir, Mr Robinson is right to conclude that blame for the resurgence of unemployment rests not with unemployed people themselves but rather with government, employers and unions for failing to tackle constraints upon sustained economic growth. I find fault, however, with his comments about long-term unemployment and suggest that he takes heed of at least some elements of Mr Ashby's argument.

It is too simplistic, for example, to imply that there was a fairly straightforward relationship in the 1980s between change in the level of long-term unemployment and conditions of recession and boom. Of considerable additional importance was the operation of the system for ensuring that the unemployed maintained active job search. Laxity in this system undoubtedly contributed to the rise in long-term unemployment in the early 1980s, whilst efforts to strengthen it, notably with the introduction of Restart interviews and tougher availability for work testing, were crucial to the speed of the subsequent fall. Had Restart in particular not been introduced it is most unlikely that the economy would have experienced such a sharp reduction in unemployment at given vacancies during the course of the Lawson boom.

The conclusion to be drawn is that toughness must have its place in any concerted policy to reduce long-term unemployment and Mr Ashby is fully justified in stressing the importance of individual obligations. What we must avoid, however, is a policy approach so strong on obligation that it ignores the contraints faced by the majority of long-term unemployed who desperately want to work. These constraints can only be overcome by substantial investment in high quality training, employment and job search programmes.

Without this investment, which is the responsibility of government, any attempt at a fundamental attack on long-term unemployment would fail and tougher strictures upon the unemployed to avail themselves of the inadequate help that already exists would prove little more than vindictive.

John Philpott,
director,
Employment Institute,
Southbank House,
Black Prince Road, SE1

President Bush has unveiled a $500bn package to cut the Federal deficit. But as **Peter Riddell** reports, the measures still face hurdles

Real test still lies ahead

President George Bush and Congressional leaders looked far from elated when they gathered at the White House to announce last minute agreement on a *$500bn five-year deficit cutting* package. Difficult though the five months of talks had been, "now comes the hard part" as Senator George Mitchell, the Democratic majority leader put it.

The package faces two critical tests – first, being approved by Congress by October 19; and, second, being taken seriously by the financial markets. Neither test will be easy. Mid-term elections for a third of the Senate and the whole House of Representatives are coming up on November 6, and there has already been criticism of the package from legislators aware of the unpopularity of raising indirect taxes on beer, cigarettes and the like and cutting back on Medicare health provision for the elderly. The markets' reaction yesterday was coolly positive, though only in the hope that the deal will lead to lower interest rates.

Both Mr Bush and Democrat leaders have a lot at stake politically. Mr Bush has had to make sacrifices – dropping his no new taxes pledge (with $134bn in higher taxes proposed over five years) and abandoning his often repeated desire for a cut in capital gains tax. In the process he has incurred strong criticism from conservative Republicans, notably in the House where there is still a sizeable group of tax cutting Reaganites.

There is a real risk of a split within the Republican party which could make approval of the package more difficult.

On the Democratic side, there has been unhappiness about the Medicare cuts and about the impact of tax increases on ordinary working people. But the Democrats can point to having defended the social security system.

While both sides will seek to smother blame for unpopular measures in a cloak of bi-partisanship, the real message of the agreement is that they had no choice.

It has been conventional wisdom among the leaders of both parties, let alone financial markets, that something has to be done about the Federal deficit. Admittedly, the US deficit has not been very high as a percentage of gross national product in comparison with some industrial countries. But when combined with a low level of personal savings in the US the *Federal deficit has meant that* domestically generated savings have been insufficient to match investment and there has been a large inflow of capital from abroad. The budgetary constraint has affected Mr Bush's freedom of manoeuvre both in domestic programmes and internationally where the US has had to work and seek money from other countries.

But this year two things have changed. First, the serious problems of the Japanese financial system have resulted in a big fall in inflows into the US from banks and institutions in Tokyo. And the huge cost of German unification has cut the flows of European capital as well. The shift in the supply-demand balance has been reflected in the continuing high level of long term US government bond yields.

US Federal deficit: projections for fiscal 1990-91 ($bn)

Jan 29	100
	(63 after Bush budget)
May 22	167
July 17	231
Sept 16	250
Sept 30	294
	(254 after package)

Source: White House

The package faces two tests — being approved by Congress by October 19, and being taken seriously by the financial markets. Neither test will be easy

Second, and more important, the outlook for the deficit has worsened substantially. What had been a manageable problem deferred from year to year without causing a financial crisis is now pressing. The accompanying table shows how official projections of the deficit for fiscal 1991, which started yesterday, have soared from $100bn to nearly $300bn since January.

The rise reflects a combination of a much weaker US economy, holding down tax revenues, and the sharply rising costs of the savings and loan rescue. This may require as much $100bn in 1991 alone to finance closures and working capital needs.

The proposed cut in the deficit by $40bn in fiscal 1991 barely touches this problem. Indeed it only offsets the upward revision in the deficit figure of the past two weeks. Even after the package the 1991 deficit will still be $254bn, compared with a target for the year of $64bn under the Gramm-Rudman deficit reduction law. Moreover, even that figure could be exceeded since while the Administration naturally regards its forecasts as realistic the economy is still assumed to grow by 1.3 per cent during 1991.

Much of the deficit reduction is, as usual, in later years. While the markets may be sceptical about such a pledge of virtue – but not yet – the Administration argues that the tax and spending measures to validate the target will be enacted now and spending controls have been strengthened. But it is unproven whether the $500bn package is any more credible than past promises to produce a balanced budget. The Gramm-Rudman law is being retained, though for the second time the targets are being substantially pushed back.

Yet flawed though the package may be it is probably the best that can be agreed in view of the political pressures within both parties and differences between them about the social fairness of various taxes and about the role of government. Mr Bush has calculated that the immediate unpopularity of the package is worth risking if it lays the ground for economic recovery next year and strong growth in 1992 when he will be seeking re-election. His political strategy is indicated by the official forecast of 3.8 per cent growth during 1992, falling inflation and short term interest rates down to 5.7 per cent from the present 7.7 per cent.

Much will depend on the reaction of the Federal Reserve, whose policy making Open Market Committee meets today. Mr Bush has been prodding the Fed to cut interest rates, quickly and substantially after a budget deal. While Mr Alan Greenspan, the *Fed chairman, has accepted* the linkage between a budget deal and interest rates, he has been more cautious. He has talked of seeing how the market responds and whether it judges any package credible before the Fed decides whether to ease monetary policy. But any cut is likely to be modest because of Fed worries about rising US inflation. Fed policy-makers have already warned that premature easing might be counter-productive if the markets question the credibility of the Federal Reserve's counter-inflation stance and long term interest rates rise.

So both the contractionary fiscal impact of the budget package and any offsetting monetary easing may be limited. An economic downturn looks certain this winter and there is still the possibility of a fully fledged recession.

Mr Bush will be hoping for at least some positive response form the Fed in the next couple of weeks which he can cite to press reluctant congressmen to support the package. The probability, though not the certainty, is that the agreement will be approved though after considerable alarms and brinkmanship. After all, the US Congress is more efficient at delaying than implementing action.

The risk for Mr Bush is that he and the Republicans will be blamed for immediate unpopular measures and that a recession may not be avoidable. It may be difficult for him to shift the blame to the Fed for its monetary policy or to Democrats for opposing a capital gains cut. The opportunities for the Democrats are narrower since as the majority party in Congress they may share the immediate blame while they will not benefit politically from a strong recovery in 1992.

While the agreement should help to reduce the budget deficit substantially by the mid-1990s, this is almost certainly not the last such summit of the Bush presidency. The same reluctant negotiators will probably be back round the table in a year or two in a further attempt to eliminate the deficit.

FINANCIAL TIMES
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US BUDGET

Congress leaders set for hard sell

By Lionel Barber in Washington

IT'S going to be a hard sell. That was the verdict among grim-faced Republican and Democrat leaders in Congress yesterday as they campaigned for ratification of the five-year $500bn (£265.9bn) package to reduce the federal deficit.

Rank-and-file Republicans are livid about the tax increases. Nor do they like President George Bush's decision to ditch his proposed cut in the capital gains tax either.

Liberal Democrats find the cuts in domestic spending at best unpalatable. At worst they could justify a vote against the package.

The mood of resentment may be difficult to contain. The mid-term elections take place next month, not a time when US politicians are noted for their courage.

Moreover, it has been at least five years since Congress has attempted anything as ambitious in terms of cutting the deficit.

People have become used to letting the good times roll.

The package must pass both the House and Senate. Democrats have a majority in both chambers; but because they do not wish to carry sole responsibility for the unpopular measures they are demanding a majority of Republicans in the House and Senate sign on to the deal.

The single most important group influencing passage, therefore, are the House Republicans, whose spiritual leader is Mr Newt Gingrich of Georgia and whose disappointment yesterday was palpable.

"The fiscal equivalent of Yalta," said one Republican. "A road map to recession," said another.

House Republicans possess a guerrilla mentality stemming from more than 30 years as the minority party; and confidence in their leader – Mr Robert Michel – appears to be ebbing.

Mr Michel added to uncertainty by suggesting yesterday that his troops may defect in the first up-and-down vote in the House.

"It might take some more convincing on the part of the membership that the alternative is sequestration," he said, hinting it might take some Gramm-Rudman spending cuts to force his colleagues to swallow their medicine.

Much, of course, depends on Mr Gingrich. In the hours after the deal was struck, the Georgia firebrand was noticeably silent, allowing others to vent their fury on his behalf. One question is whether Mr Gingrich wishes to attempt a floor fight over the budget – even at the risk of splitting his party.

The first test will come on October 5, when Congress is due to pass a budget reflecting the new taxes and spending cuts proposed in the compromise, as well as a stop-gap spending bill which allows the federal government to finance its operations.

This would also halt the $105.7bn Gramm-Rudman cuts until October 19.

The next key date is October 10, when the appropriations committees in the House and Senate finish work on 13 spending bills which cover spending by the federal government. October 13 is "V" day – or voting day, when Congress has to pass all 13 spending bills.

If Congress is to support the deal, both Democrats and Republicans agree the sales-pitch should turn on the national interest.

Here, Mr Bush, as president, has an important role to play.

Some Democratic leaders such as Mr William Gray, the Democrat majority whip, would like to see the public put heat on members to approve the deal.

Far more likely will be an eruption of special interest pleading as lobby groups press Congress to resist the rise in petrol taxes, the increase in Medicare costs for the elderly, the boost in cigarette and alcohol taxes and the cuts in farm support programmes.

In the last resort, however, the strongest selling point is that the alternative to ditching the deal is simply too awful to contemplate.

Spending cuts would be higher, the financial markets could go into a tailspin and confidence in the economy, already fragile, could fall further.

Real test still lies ahead, Page 23

Manufacturers gloomy on economic outlook

By Anthony Harris in Washington

THE US Purchasing Managers' Index, the most widely followed indicator of manufacturing sentiment, fell for the third successive month in September to 44.4 per cent, the lowest level since December 1982. A 50 per cent reading indicates an equal balance of optimism and pessimism.

Although weaker than expected, the index was still just above the level which would signal a general economic recession, according to Mr Robert Bretz, chairman of the survey committee.

On the positive side, export orders are still rising, and the survey revealed that investment spending plans have barely been affected by the economic downturn or the Gulf crisis. Another question showed that the manufacturing sector still enjoys ready access to bank credit, despite the general increase in lending caution. However, there was a sharp jump in the inflation index, due almost entirely to oil-related cost increases.

The index rose to 73.4 per cent in September, up from 58.2 per cent in August. The survey showed that US manufacturers are still planning to shed more labour and to cut inventories.

However, Mr Bretz added: "Some members indicated they have already or will soon be bringing in selected commodities earlier than required in order to delay the impact of announced price increases."

Despite a small improvement in export prospects, with the index up a point to 54 per cent, the weakness of domestic demand holds out no short-term hope of a general recovery in manufacturing.

"The New Order Index declined for the third consecutive month and is the lowest since the trough of the previous recession, November 1982. New Export Orders continued to increase in September," said Mr Bretz. Imports of industrial supplies will continue to fall, according to the survey.

Manufacturing still enjoys the confidence of the banks, according to the survey. A special question showed that 69 per cent of the respondents initiated requests for new or additional credit from financial institutions since June 1990. Of these, 96.5 per cent said they encountered no additional difficulty and 3.5 per cent reported tightened lending conditions.

Capital spending plans have remained robust in these circumstances. Mr Bretz reported: "In answer to a special question regarding capital spending plans for the next six to 12 months as a result of the Middle East crisis, 88 per cent of respondents said their plans had not changed, 8 per cent said they were revised downward, and 4 per cent were revised upward."

Bush underlines US hopes for Gulf peace

By Peter Riddell, US Editor, at the United Nations

PRESIDENT George Bush yesterday sought to reassure other world leaders about US intentions in the Gulf crisis following increasing worries about a slide into war.

Addressing the United Nations General Assembly, watched by many heads of government as well as the Iraqi ambassador, President Bush underlined his desire for a peaceful outcome to the crisis and stressed that the US did not want a permanent military presence in the Gulf.

He also suggested that if the Iraqis withdrew from Kuwait, opportunities could be opened for the resolution of long-standing regional disputes in the Middle East.

Mr Bush later denied to reporters that he was offering an olive branch in his speech. He stressed that any talk of dealing with broader Middle East problems was dependent on Iraq's unconditional withdrawal from Kuwait.

He also played down talk of military action, saying it was necessary to give sanctions time to work and be effective. He said he had heard "rather encouraging words" about the impact of sanctions. "Saddam Hussein is beginning to understand that it is him against the world, and I've heard more optimism in various quarters that sanctions are really beginning to bite hard."

The Emir of Kuwait confers with the Kuwaiti foreign minister at the United Nations

Mr Eduard Shevardnaze, the Soviet Foreign Minister, praised Mr Bush's speech for making "all the necessary points of emphasis quite correctly and quite constructively. It is this approach that opens up good prospects for a peaceful solution."

During his speech, Mr Bush said Iraqi behaviour was a challenge to the entire world's vision of the future – "a test which we cannot afford to fail".

He emphasised that the annexation of Kuwait would not be permitted to stand and said the US sought no advantage for itself in sending military forces to the region.

The president said that following an unconditional Iraqi departure from Kuwait there might be opportunities "for Iraq and Kuwait to settle their differences permanently; for the states of the Gulf themselves to build new arrangements for stability; and for all states and peoples of the region to settle the conflict that divides the Arabs from Israel".

Mr Bush developed his vision of a new partnership of nations that would transcend the cold war. He described the new order as "a partnership based on consultation, co-operation and collective action, especially through regional and international organisations; a partnership united by principle and the rule of law, and supported by an equitable sharing of both cost and commitment; a partnership whose goals are to increase democracy, increase prosperity, increase the peace and reduce arms".

In particular, he suggested a formal increase in the role of the UN in the holding of free elections as the foundation of democratic government, and proposed that the UN establish a special co-ordinator for electoral assistance.

Crisis in the Gulf, Page 2

Airbus wins $5bn order for A320s from US airline

By Paul Betts, Aerospace Correspondent, in London

AIRBUS, the European aircraft manufacturing consortium, achieved a breakthrough in the US airline market yesterday with a $5bn order for up to 118 A320 aircraft from America West Airlines.

The deal brings to 643 the number of A320s on firm order from airlines around the world – passing the 600 break-even target at which the aircraft programme will become profitable.

It follows a $1.8bn order for 26 A320s announced by Swissair last Friday and confirmation by another US carrier, Northwest Airlines, for the purchase of 100 of the twin-engine, narrow-body airliners. Northwest has also taken 30 options on the A321, the new stretched version of the 150-seat A320.

The A320, the world's first computer-controlled "fly-by-wire" civil airliner, has become the industry's fastest selling passenger jet in the past six years.

So far, 110 have been delivered to customers and Airbus recently announced that it would report an operating profit this year for the first time in its 20-year history.

The America West deal involves a complex multi-party transaction including GPA, the Shannon-based aircraft leasing group, the International Aero Engine (IEA) consortium, Kawasaki Enterprises of Japan, and Airbus acting as a broker between all parties.

Under the contract, firm orders have been placed for 74 aircraft with options for an additional 44. Twenty six of the aircraft will be leased from GPA.

The IEA group, which includes Pratt & Whitney of the US, Rolls-Royce of Britain, MTU of Germany and a Japanese aero-engine consortium, will provide the V2500 engines for the A320s.

Airbus said it was not arranging any special financial facilities for America West but would provide a package of spare parts and training support as it did for all its customers. In the recent Northwest deal, however, Airbus agreed to arrange a $500m secured financial facility for the US carrier.

America West, which sprang up after US airline deregulation, is based in Phoenix, Arizona. Up to now it has operated a fleet of Boeings.

Kohl warns over unity

Continued from Page 1

allow participation in United Nations peace-keeping.

The "considerable efforts" demanded by unity could not be used as an excuse for Germany to escape its international obligations.

"Anyone who tried to do this would dangerously shake the confidence which the federal republic has won in more than 40 years," the chancellor said.

The chancellor pleaded for reconciliation with Poland and said a new "wealth gap" should not open up between the two countries.

Thousands of Poles have been flooding into Berlin recently in a last-minute buying spree before visas are introduced tomorrow.

THE LEX COLUMN

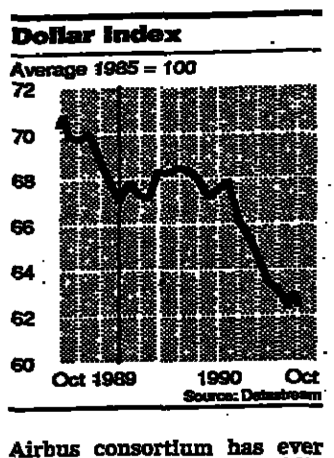
Fresh hopes from a new quarter

To all appearances, the year's final quarter could scarcely have got off to a better start. The oil price is down and so is the classic indicator of tension, the gold price. Japan's Finance Minister has decided the Tokyo market should stop falling. And above all, President Bush has put together a Budget compromise which should allow the Fed to go ahead with a cut in interest rates.

Wall Street's initial response yesterday seemed grudging, even if bonds and equities were both rising by the afternoon. But Wall Street has been caught out by Budget euphoria before. The $40bn of spending cuts in the package is a drop in the bucket; and it remains to be seen whether the prospect of lower interest rates can outweigh the market's fundamental concerns about recession – as re-emphasised by the weakness of yesterday's Purchasing Managers' Survey – and the signs of distress in the banking system.

Nor is it clear that a modest easing by the Fed would leave room for relaxation of the monetary squeeze elsewhere in the world. Whatever the wishes of the Japanese Finance Ministry, the noises from the Bank of Japan suggest if anything the likelihood of greater tightening. And for the Bundesbank, lower US interest rates merely widen the differential between US and German bonds, thus making it easier to finance reconstruction in the East.

Neither is it clear that the UK equity market was right to rise so sharply yesterday. For a market which derives a quarter of its earnings from the US, a cut in US interest rates is of some importance. But so is the dollar weakness which results from it. It is very natural that fund managers who believe the UK market to be basically cheap should move in at the start of the quarter, thus giving themselves three months to be proved right. But going by the meagre volume yesterday, this still feels more like an exploratory bounce than the real thing.



Airbus

Stock market investors have every right to be sceptical about Airbus's prospects of profitability when they are presented with enigmatic announcements like yesterday's gigantic order from Arizona. The buyer, Phoenix-based America West, wants up to 118 Airbus A-320s between now and 2005, which makes this the largest single order the Airbus consortium has ever received. Hence the public trumpeting of the deal yesterday by Rolls-Royce, which will be getting a large slice of the consequential aero-engine revenue. What seems strange is the sheer scale of the deal compared with the relatively small size of America West.

America West is not yet a household name in the US, being a purely domestic operation with two hubs at Phoenix and Las Vegas. As a non-union airline, with a strong aircraft maintenance unit and respected management, it has its strong points. But it is also apposite that it has a history of high leverage and erratic earnings, that its market capitalisation currently is about $106m and that it made after-tax profits of less than $4m in the six months to June 30.

This is the company, too, that has been negotiating recently to buy the eastern seaboard Pan Am shuttle, for a price some Wall Street analysts reckon could be about $200m. Of course, lease finance figures prominently in the sketchy public details of the America West/Airbus transaction, with GPA and Kawasaki Leasing both involved. But one has to wonder just what kind of profit margins a deal like this will produce for the Airbus consortium partners or the engine makers.

British Telecom

It is a measure of British Telecom's defensive qualities – in particular its double digit demand growth and minimal currency exposure – that its shares have handsomely outperformed the likes of BTR and Hanson over the last year. So the sound of its regulator barking noisily and threatening to cap its international prices – the most profitable part of its business – might come as a nasty shock.

But the reason BT's shares still sell at a discount to the market and deserve their humble rating is the ever-present regulatory risk. In this respect, yesterday's broadside from Oftel should come as no surprise. Indeed, given the relative weakness of the competition since the privatisation of BT six years ago, the regulators can be criticised for not having done more. By the same token, the idea that the forthcoming duopoly review was going to be a non-event, because anything else would jeopardise the authorities' chances of selling their remaining £8bn BT stake, is also wide of the mark. The politics of BT's regulation may be as murky as ever, but there does seem to be evidence that the authorities are intent on turning up the competitive pressure.

However, the idea that by virtue of its massive market share BT has most to lose from any hint of increased competition is too simplistic. If BT is forced to cut its prices it will have an adverse knock-on effect on Mercury, which has been winning international market share by undercutting BT. Similarly, if increased competition involves increased obligations imposed on the new competitors, this is not all bad news for BT, especially if price reductions stimulate an overall increase in the market's size. The final proviso is that international telecom prices are already declining in real terms, so the degree of pain can easily be made to look worse than it really is.

Tootal

It is still hard to believe that Tootal has a long term independent future in the global textile industry. A 17 per cent fall in first half pre-tax profits to £16m is not a bad showing given the sorry state of many of the markets it operates in; and despite the jump in its interest charge, Tootal is adamant that it does not need to tap the equity markets. But it remains unclear whether a group with a market capitalisation of £200m has the muscle to exploit its overseas ambitions. The growing emphasis on joint ventures is helping reduce the financial risk but is also limiting the rewards. Barring Coats Viyella's return to the bargaining table, there is no reason why a textile company should boast a prospective multiple of 9, particularly given its slim dividend cover.

Group buys US insurer

Continued from Page 1

chief executive, Mr Marshall Manley, attempted to buildup a broad financial services group through acquisitions before being ousted in March.

Since then, AmBase's shares have been clouded by the junk bond portfolio problems, the company's outstanding loans to Drexel Burnham Lambert, the US investment bank now in bankruptcy, and the effect of the grim property market on Carteret Bancorp, its New Jersey-based savings and loan business.

AmBase expects to appoint advisers to help with a "restructuring plan". Trygg-Hansa will have one third of the share capital in the holding company that is to acquire Home Insurance.

Plan launched to cut international telephone charges

***By Hugo Dixon** in London*

A TWO-pronged approach to cut the price of international phone calls from the UK was announced by the Office of Telecommunications, the industry watchdog, yesterday.

Sir Bryan Carsberg, the watchdog's director-general, unveiled plans involving the introduction of more competition in the international telecommunications market and the regulation of British Telecom's international call charges.

Oftel's action follows the revelation earlier this year by the Financial Times that phone companies all over the world are overcharging their customers by more than $10bn a year for international calls. It comes one month before the UK government is due to launch a review of whether BT and Mercury Communications, its only licensed rival, should retain their exclusive rights to provide basic telecommunications services.

Sir Bryan said the BT/Mercury duopoly had not been effective in cutting the price of international calls. "The contribution made to BT's return on investment by international telephone calls has increased sharply since 1988 instead of being eroded by competition," he said.

Internal BT documents show the company was earning profit margins of 60 per cent on international calls in 1987/88. And Robert Fleming, the stock broker, estimates that the company's return on capital for international services is 114 per cent.

The first prong of Oftel's approach is to cap BT's prices, although Sir Bryan yesterday refused to put a figure on how far he wanted prices to fall, saying he needed more time to investigate the issue.

He said it was possible that BT would be required to make a one-off reduction in international prices early next year. After that, a formula would come into effect requiring real reductions of prices each year. BT's domestic charges are regulated in this way but, until now, it has been free to set its international charges as it thought fit.

If BT refused to agree to the price cap, Sir Bryan said he would consider referring it to the Monopolies and Mergers Commission. BT and Cable and Wireless, Mercury's parent, refused to comment, saying they had not had sufficient time to form a view on Offtel's action.

The second prong of the approach is to allow new competitors to lease capacity in bulk from BT and Mercury and then retail it to customers. Offtel has advised the Department of Trade and Industry, which has authority in this area, to change the regulations and the Department has agreed to recommend such changes as part of the duopoly review.

Letters, Page 23

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	23	73	Berlin	F	17	63	Caracas	S	29	84	Faro	S	25	77	Islamabad	C	26	79
Algiers	F	27	81	Biarritz	C	20	68	Casablanca	C	24	75	Florence	R	22	72	Istanbul	S	21	70
Amsterdam	C	15	59	Bombay	F	29	84	Chicago	C	10	50	Frankfurt	R	17	63	Jakarta	-	-	-
Athens	S	26	79	Bordeaux	C	22	72	Cologne	C	14	57	Geneva	C	20	68	Jersey	S	16	61
Bahrain	S	34	93	Boulogne	F	16	61	Copenhagen	C	13	55	Gibraltar	S	27	81	Johannesburg	S	27	81
Bangkok	C	32	90	Brussels	C	16	61	Corfu	S	23	73	Glasgow	R	12	54	Lima	C	18	65
Barcelona	F	25	77	Budapest	C	20	68	Dallas	F	17	63	Helsinki	F	6	43	Lisbon	S	24	75
Beirut	-	-	-	Buenos Aires	F	23	73	Dublin	C	15	59	Hong Kong	F	30	86	London	S	17	63
Belfast	C	13	55	Cairo	F	29	84	Dubrovnik	S	23	73	Innsbruck	F	20	68	Los Angeles	C	18	64
Belgrade	S	27	81	Cape Town	S	19	66	Edinburgh	F	14	57	Inverness	C	14	57	Luxembourg	C	14	57

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	24	75	Milan	C	16	61	Nicosia	S	25	77	Salzburg	F	19	66	Tenerife	F	26	79
Madrid	F	22	72	Montreal	C	7	45	Oporto	S	21	70	San Francisco	F	14	57	Tokyo	S	27	81
Majorca	F	27	81	Moscow	C	9	48	Oslo	F	10	50	Seoul	S	23	73	Toronto	F	5	41
Malaga	S	26	79	Munich	C	21	70	Paris	C	17	63	Singapore	F	29	84	Tunis	S	32	90
Malta	S	26	79	Nairobi	C	26	79	Peking	S	23	73	Stockholm	F	8	46	Valencia	S	27	81
Manchester	C	12	54	Naples	F	25	77	Prague	C	18	64	Strasbourg	R	18	64	Venice	S	21	70
Manila	C	32	90	Nassau	C	32	90	Reykjavik	F	7	45	Sydney	S	21	70	Vienna	S	25	77
Melbourne	S	19	66	New Delhi	S	30	86	Rhodes	S	26	79	Taipei	F	32	90	Warsaw	S	19	66
Mexico City	F	23	73	New York	S	13	55	Rio de Janeiro	C	27	81	Tangier	S	26	79	Washington	S	13	55
Miami	F	24	75	Nice	S	22	72	Rome	F	25	77	Tel Aviv	F	27	81	Zurich	F	18	64

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Matsushita, MCA plan Japanese venture

Matsushita Electric and a subsidiary of the US group MCA are forming a joint venture to market recorded music in Japan and to promote Japanese recording artists. Yesterday's announcement was aimed at stifling rumours that Matsushita was preparing a takeover for MCA and is part of a broader trend of Japanese consumer electronics makers expanding their entertainment software networks. Page 28

Spanish farmers find a bitter taste in EC membership

The prosperity of the farmers in the Jerez region of Spain is testament to the vast quantity of sherry consumed by the British before Sunday lunch and at Christmas. But not all of Spain's farmers can boast such reliable markets — or prices — for their products. Since joining the EC, Spanish farm profits have taken a dive. Membership means adjustments that reduce prices when community production goes too high. Farmers' viewpoint looks at the problems faced by Spanish farmers. Page 35

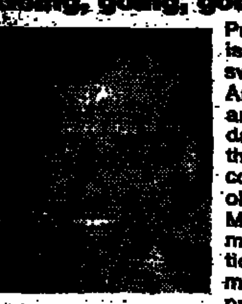
French bid for UK water groups

France's largest water supplier yesterday launched a recommended cash offer for two UK water companies. The offer follows government approval for what will be the first merger since last year's privatisation of the UK water industry. If the Générale des Eaux bid is successful, it will gain control of what will be Britain's seventh largest supplier, reports Andrew Bolger. Page 26

Dutch funds fight back

The surprise decision by Rodamco, the Dutch property fund, to stop buying back its shares at net asset value, has proved a major embarrassement for its parent Robeco, the largest independent investment group outside the US. Robeco, already facing stiff competition for funds, has been at pains to emphasise that it will not adopt a similar about-face on its equally-important share and bond funds. Ronald van de Krol in Amsterdam reports on the Dutch group's damage limitation exercise. Page 26

Going, going, gone



Public is out and private is in. As sell-off mania sweeps the globe, Argentina and Malaysia are taking up the standard. Telekom Malaysia, the state-owned telecommunications monopoly, is the first Malaysian company formally to launch its flotation and as many as 10 more enterprises are privatisation targets. Lim Siong Hoon reports on how Kuala Lumpur is speeding up its sell-off plans. Meanwhile, Spain's public companies are taking control of key sectors of the Argentine economy in President Menem's (above) privatisation firesale. John Barham reports. Malaysia, Page 29; Argentina, Page 28

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Daimler	405	+	37
Deutsche Bank	693	+	35
Hochtief	1148	+	56
Mannesmann	282	+	24
Siemens	540	+	25.4
Thyssen	197.5	+	19.5

NEW YORK ($)

Rises			
AT & T	32⅛	+	1⅛
Gen Elect	58⅞	+	1⅜
Ph. Morris	47⅝	+	2⅜
Sun Micro	24	+	2⅛
Falls			
Dresser Inds	18⅞	−	1⅞
Schlumberger	60	−	1⅞

PARIS (FFr)

Rises			
BSN	751	+	26
Bancaire Cie	370	+	20
Cetelem	377	+	29
Dumez	616	+	39
Nouvelle Gal	588	+	53
Salimeg	424	+	24.5

TOKYO (Yen)

Falls			
Asahi Optical	483	−	72
Dowa Mining	490	−	62
Lion	570	−	90
Prima Meat	465	−	74
Tokai Carbon	491	−	69
Toyo Tire	666	−	134

LONDON (Pence)

Rises			
Allied-Lyons	434	+	9
BAT Inds	855	+	17
Boots	295	+	12
Brit Aero	583	+	19
Brit Land	245	+	12
Cable & Wire	417	+	16
ECC	315	+	9
Frogmore Ests	241	+	12
GRE	181	+	9
Land Secs	471	+	13
Leigh Ints	248	+	8
Logica	156	+	6
Nat West	244	+	10
Redland	517	+	15
Rentokil	180	+	7
Reuters	788	+	44
Standard Chart	286	+	17
Thorpe (FW)	270	+	20
Traf House	260	+	10
Falls			
Caird	95	−	8
Canning (W)	102	−	7
De La Rue	254	−	10
LASMO	453	−	7
Mowe Int	184	−	26

Siemens launches computer group

By Alan Cane in Frankfurt

SIEMENS-Nixdorf Informationssysteme (SNI), the German computer company formed from Siemens' takeover of the ailing Nixdorf Computer, has received several overtures from potential partners, Dr Hans-Dieter Wiedig, chairman and chief executive, revealed yesterday.

The new company, formally launched yesterday, is the largest European-owned computer company, and the eighth largest in the world. Combined global sales of Nixdorf and the Siemens information technology division in the year ended September were DM13bn ($8.3bn). They are forecast to rise about 10 per cent this year, in line with the projected growth in the European computer market.

Dr Wiedig pledged that SNI's goal was to halt Europe's decline in data processing. The European computer industry is dominated by International Business Machines of the US with Japanese manufacturers, led by Fujitsu, Hitachi and Toshiba, mounting a strong challenge.

Dr Wiedig said SNI "could well become the focal point for further consolidation of the industry in Europe". But his first task was to achieve the successful combination of Siemens's information systems group and Nixdorf. He believed it would be 1992 before the two companies' product lines would be harmonised.

He specifically ruled out, for the time being, a merger or partnership with financially-troubled Bull, the French state-owned group. Last month, the French government – which has regarded Bull as a national champion – broke with tradition by urging the company to seek a partner to share costs.

Dr Wiedig said Siemens had been looking for a partner to help it open up new markets when the opportunity to acquire Nixdorf came up. He had expressed strong reservations about a merger with ICL of the UK, which has since agreed to be taken over by Fujitsu.

"I refused a deal with ICL because there would have been no synergies," he said.

Dr Wiedig said SNI considered itself a European company with the European market as its first objective. But the company would also be expanding in North America.

Dr Wiedig declined to disclose what earnings he expected SNI to record for fiscal 1991, but mentioned the goal of "positive operating profit" for the year. The company's "start-up phase will be helped by the excellent state" of Siemens' data processing division, where sales grew 11 per cent in the first 11 months of the last year.

By contrast, Nixdorf had a net group loss in 1989 of DM1.07bn on sales of DM5.26bn. But Mr Horst Nasko, a member of the SNI managing board and former chairman of Nixdorf Computer, noted that Nixdorf's losses "were not yet satisfactory", but at least the "trend was in the right direction".

Renault warns of declines in profits and market share

By William Dawkins in Paris

RENAULT, the French state-owned car maker, yesterday predicted a more than 8 per cent fall in profits for 1990, and said it was planning for a 3 to 5 per cent decline in the European car market for 1991.

Mr Raymond Lévy, Renault's chairman, warned that the fall might even be comparable to Volkswagen, the West German car maker, which last month published a 16.5 per cent decline in earnings for the first half of the year, though he did not give precise figures.

Renault's warning, the latest sign of trouble for the European car industry, indicates that it is taking the downturn harder than Peugeot, its private sector rival. Peugeot is hoping to hold profits stable this year, though it warned recently that it would have to work harder than expected to hit that target.

Last year, Renault reported a FFr8.8bn ($1.7bn) net profit, slightly down from record earnings of FFr8.9bn in 1988.

The reasons for the decline included the weakness of the US market – which has already produced announcements of earnings declines from the top US car makers – a fall in demand for heavy trucks, plus economic problems in Argentina and Colombia. North and South America account for just over 9 per cent of Renault's turnover. Demand was also weakening in Spain.

Mr Lévy also cited a plunge in sales of the Renault 5, caused by customers delaying purchases for the arrival of the Clio, the group's latest small car. This hiatus has made Renault lose market share in the small car sector, he said.

Mr Lévy was unworried by the prospect and emphasised that Renault would not try to defend market share by indulging in a price war, if only because its borrowings were too high. The European Commission's decision last May to make Renault – already the world's most indebted car company – pay interest on the FFr6bn debt written off by the state had pushed up the group's debts from FFr17.6bn to FFr23.6bn. There would also be a slight underlying rise in group borrowings, to finance the investment needed to comply with tougher environmental standards.

Mr Lévy confirmed that Mack Trucks, the loss-making US truck maker, would play a part in the profits decline. However, Renault Véhicules Industriels (RVI), the group's truck-making subsidiary, was going ahead with its plans to lift its 44.5 per cent stake in Mack to full ownership. This was despite suggestions that other bidders, like Navistar, the US heavy truck maker, might come forward. "I have no regrets about Mack," said Mr Lévy.

Meanwhile, Mr Lévy revealed that Renault's proposed alliance with Skoda, the Czechoslovakian car maker, would, if agreed by the Prague government, be a partnership deal, including co-operation in components as well as car production. Prague is expected to decide between Renault and a rival offer from Volkswagen in October.

Unlike Peugeot, Renault was not planning to respond to the oil price rise with a big marketing push for diesel cars. Diesel models would remain an important part of Renault's range, but Mr Lévy said their fuel and environmental qualities were over-rated.

Asil Nadir: his company, Polly Peck, is trying to avert a liquidity crisis

Polly Peck dropped from FT-SE

By David Barchard, David Lascelles and Clay Harris

BANK LENDERS to Polly Peck International plan to meet later this week to discuss a proposed package to consolidate the company's borrowings.

The fruit trading and consumer electronics group, headed by Mr Asil Nadir, is trying to avert a liquidity crisis. This has arisen because of the uncertainty caused by Polly Peck's silence since the suspension of its shares on September 20.

The suspension yesterday cost Polly Peck its place in the FT-SE 100 index of leading UK companies. The steering committee, which oversees the index, said that Dalgety, the food and agribusiness group, would replace Polly Peck today.

Directors met again for several hours at Polly Peck's headquarters. By early last night, however, the company had not said whether it would give a long-awaited statement to the stock exchange today, as it suggested before the weekend.

The meeting of bank lenders later this week is intended to discuss a package of bridging finance, according to one Turkish banker. He said: "Disposals under present market conditions seem to be out of the question and as so many of Mr Nadir's loans are unsecured, the banks have little choice but to back him."

Turkish banks were expected to play a key role in any package after the weekend meetings in New York between Mr Nadir and Turkish officials including President Turgut Ozal. However, Turkish bankers said they had not been approached about a possible facility.

Polly Peck is believed to have several dozen bank creditors. Many became lenders when they subscribed to a $500m loan last December to finance the purchase of Del Monte's fresh fruit business. This loan is secured on Del Monte's assets. There have also been smaller syndicated loans and other banks have issued short-term lines of unsecured credit.

Bankers in the UK said they believed their loans were secure because of the strength of the underlying business.

Polly Peck affair, Page 27

Swedish finance crisis near solution

By Robert Taylor in Stockholm

THE CRISIS that hit three of Sweden's leading finance companies last week appeared to be drawing to a satisfactory close last night after four days of intensive discussions with the leading banks and the companies' main owners.

Mr Anders Sahlen, director of Sweden's Bank Inspection Board, said yesterday that it would require the injection of between SKr2bn ($347m) to SKr3bn of capital into the affected companies to strengthen their financial base and help restore market confidence in their activities.

A combination of gloomy domestic economic forecasts and concern over the companies' UK property investments led to last week's suspension of shares in three finance companies and three other concerns with which they are linked. The finance companies faced liquidity problems after Swedish institutions became wary of trading in their commercial paper.

Trading in shares of one of the companies, Gamlestaden, restarted yesterday after being stopped at the group's own request last Friday.

This followed the injection of SKr500m into Gamlestaden by its main shareholder, the financier Mr Erik Penser, and his group. Gamlestaden's risk capital has risen to SKr2.8bn as a result, and its position has been strengthened by firm support from all the major Swedish banks.

But agreement has yet to be finalised on a rescue for Nyckeln, the first finance company to be suspended by the stock market early last week after reporting a drastic fall in its profits forecast from SKr175m to SKr25m for this year. That was mainly because of the falling value of its property investments in London.

Yesterday Beijer Capital, Nyckeln's main shareholder, announced it was selling off its financial services business valued at SKr2.5bn to Spontel, the Finnish investment company which is a subsidiary of Foreningsbanken in Helsinki.

The terms of the deal were not disclosed, but it is believed the proceeds will help strengthen Nyckeln's capital base.

Negotiations have still to be completed over Infina/Independent, the third crisis-hit finance company whose main shareholder is Fermenta.

Infina revised its expected losses last week to SKr325m for the year, compared with a profit of SKr96m in 1989.

An end to the £30bn walk around the City

Deborah Hargreaves on the new back office system for UK money markets

Mr Jamie Smith is used to spending his afternoons leafing through piles of paper worth millions of pounds, checking the mounds of Certificates of Deposit and Treasury Bills that arrive at Midland Bank every afternoon. From now on, however, Mr Smith, assistant manager in the bank's back office, will be able to watch parcels of securities arriving on screen.

His first deliveries took place yesterday as the Bank of England's electronic trading system for the UK money market came on line. The system – known as the Central Moneymarkets Office (CMO) – got off to a slow start. Its first day embraced just the most recent tender of T-bills, and was showing few transactions as users remained slow to adapt to the system. Next week it will be busier when Certificates of Deposit – by far the largest portion of the £100bn UK money market – are included.

The CMO will eventually remove the daily trek of £30bn-worth of money market instruments around the streets of London. The need for it was highlighted in May when a messenger was robbed of £292m of bearer securities – financial instruments which are technically owned by whoever holds them.

"The biggest benefit in the system is that it removes an enormous amount of the potential security risk and allows trading to happen much more quickly," explains Mr Rob Bennett, in the settlements department of UBS Phillips & Drew, the UK brokerage arm of the big Swiss bank.

Most of the business to be taken over by the CMO involves the movement of collateral between money brokers and banks as part of their stock-lending operations. Brokers currently send packages of money market instruments to be held by banks in return for loans of gilt-edged and other securities.

All this paper is now physically carried between banks where back office staff check, count and validate it, then keep it in their vaults overnight.

Secondary market trading in these instruments has been restricted to the number of times messengers can walk the paper around the city. Some banks and discount houses have curtailed their afternoon trading to give the messengers time to deliver everything before settlement, which takes place every evening.

Since the CMO will speed up the transfer of instruments, it will offer dealers more flexibility over the length of their trading day.

Under the new system, which is closely modelled on the Bank of England's Central Gilts Office, securities will be able to change hands in a matter of minutes, in line with other financial centres where electronic settlement has existed for years.

The Bank was forced to set up the CMO after a private-sector initiative called Londonclear collapsed two years ago because of disagreement among banks over its structure and funding.

"The CMO simplifies back office operations because it is replicating the transfer of ownership currently done by physical means. This will make the market much more efficient," the Bank of England says.

The users of the new system do not expect it to save them much money in the short-term, however, since they will not dispense with the use of messengers who carry other data between banks and brokers.

The CMO is not a trading system for the money market – trading will continue to be done over the telephone. But the system will provide a central depositary for these instruments at the Bank of England, and allow trades to be settled on the system through the electronic transfer of the instruments.

"It has been debilitating for trading to physically walk pieces of paper back and forth across the city. It has limited volatility and the ability of the market to trade when interest rates are moving rapidly," one major player commented.

The Bank has so far signed up 46 members among the money market's major participants to trade on the system.

It costs over £20,000 a year for membership and screen rental for users of the system; there is also a fee of 25p per transaction and a payment for storage of documents. Smaller players which find the fixed costs of joining prohibitive will settle their deals through larger banks like Midland.

The Bank of England's long-term aim is to remove the need to create money market instruments on paper. This could require a change in legislation, however.

Current legislation currently requires one holder for the title of each piece of paper. Mr Michael Murdock, markets development manager at Midland Bank, would like to see the Bank of England move, within 18 months, to a global note system – one where a single piece of paper is created and title to portions of it is allocated within the electronic system. This is similar to the system in the US equity market. If this were to happen, the money market could be the first of London's financial markets to "dematerialise".

Skandia to list in London under EC mutual rules

By **Richard Lapper** in London

SKANDIA GROUP of Sweden is about to become the first European insurer to be listed on the International Stock Exchange in London under European Community rules which provide for mutual recognition of listing procedures between EC member states.

Skandia, Sweden's biggest insurer and one of the world's top 10 re-insurers, lodged the listing application yesterday, and the stock exchange is expected to grant permission for the company to list its shares tomorrow.

Kleinwort Benson, the UK merchant bank, and Sweden's Enskilda Securities expected to make a market in the shares when dealing begins on Thursday. The mutual recognition procedure, introduced earlier this year, allowed Skandia to use the same prospectus as the one drawn up for its listing in Copenhagen last week.

Mr Bjorn Wolrath, chief executive, said a conventional London listing would have been more time-consuming and expensive. Skandia was planning no new share issues, but aimed to make more use of international capital markets.

Skandia has already extensively used the London market – 2m of the company's shares exchanged hands there in the first eight months of this year – but is seeking a formal listing to reinforce its programme of international expansion, according to Mr Wolrath. He is also keen to build a following for Skandia among London market analysts.

Skandia is emphasising the development of life, personal, and small commercial lines business in Europe. Its unit-linked life business, developed in the UK by Skandia Life since the late 1970s, is an important growth area.

New unit-linked life operations have been established in Switzerland and the US. Following imminent legal changes in Sweden, Skandia should soon be able to sell unit-linked life business at home. Future plans include the opening of life operations in Germany.

● Pohjola of Finland said it was co-ordinating its re-insurance business with Skandia International, a Skandia subsidiary, Reuter reports.

Mr Markku Paakkanen, Pohjola's head of re-insurance, said Pohjola would not write life re-insurance from January 1 and would limit its non-life re-insurance. This would reduce its re-insurance business by about $50m. The aim was that Skandia would renew this business.

Mr Paakkanen said re-insurance had lost money for Pohjola, as for many other insurers. The co-operation agreement would leave Pohjola with the company's business that could produce profits.

Robeco invests heavily in limiting reputation damage

The events of the past few days have proved a rude awakening for Robeco, the venerable Rotterdam-based investment group which is unused to being in the spotlight.

Dutch financial institutions are not given to sudden changes of direction. The upheavals at Rodamco, the Dutch property fund which belongs to Robeco, were, therefore, an embarrassing blow which have partially tarnished the parent company's image.

It is now just over a week since Rodamco abruptly stopped buying back its shares at net asset value, and Robeco is doing its best to reassure investors that it has absolutely no intention of doing the same about-face on its equally important share and bond funds.

This damage limitation is significant, for even without Rodamco to worry about, Robeco has been faced with a series of challenges. Still the market leader in Dutch retail investment, it has had to confront stiff competition for clients' funds from insurance companies and pension schemes as well as from other investment funds.

Robeco, whose "flagship" fund of the same name was founded in 1933, is the largest independent investment group outside the US. Its name stands in Dutch for the Rotterdam Investment Co-operative. After nearly 60 years of investing, the group has amassed shareholders in 80 countries, though the Netherlands still generates nearly three-quarters of its business.

Its investments in shares, bonds and property are spread more internationally than its shareholders, with North America, Europe and the Far East each accounting for roughly one-third. The pattern differs greatly from fund to fund.

The Robeco group has produced solid returns over the years, but its recent performance has been modest, in keeping with difficult conditions on world capital markets.

Robeco, with total funds under management of Fl 45bn ($25.7bn), owes part of its reputation to the ease with which investors can switch in and out of the group's share, bond and property funds by using the Ro-giro giral system.

Robeco's share, bond and property funds are identical, in the sense that they are all "semi" open-ended. In other words, although Robeco has always intervened in the market to keep the share prices of these funds at net asset value, it is not legally required to do so.

That truth hit home on Monday when Robeco suddenly dropped this voluntary intervention policy at Rodamco, because of a flood of shares being presented for redemption, forcing Rodamco to pay out Fl 2.3bn in the first nine months of 1990. "We had to do it because the amounts which we had to buy in were so large that the bottoms of the vaults came into view," Mr Pieter Korteweg, Robeco's chairman, said in an interview with World Business Tonight.

Mr Korteweg has described the Rodamco move as the equivalent of giving up a cherished ideal. "That ideal – not only at Rodamco but at the entire Robeco group – is to make investments – whether they be in property, shares or bonds – as liquid as possible, wherever possible, so that large groups of investors have access to them," he said.

In the wake of the Rodamco about-face on share buying, Ronald van de Krol finds the Dutch property fund's owner busily reassuring shareholders that its share and bond funds will remain open-ended

The Robeco chief has gone out of his way to explain that Rodamco was a special case, that it had no choice but to halt share redemptions, and that Robeco had no plans to reverse its open-ended policy at the other funds.

The other three main funds – the share funds Robeco and Rolinco and the bond fund Rorento – continue to trade around their net asset value as normal, because the group's price guarantee still holds.

However, investors are clearly nervous, as was reflected in unusually heavy turnover last week: on Wednesday, the first day of trading in Rodamco following Monday's surprise announcement, its share price plummeted by 18 per cent and the four funds of the Robeco group accounted for half of all equity volume in Amsterdam. Yesterday, Rodamco fell another 30 cents to finish at Fl 58.20, while Robeco improved Fl 1.30 to close at Fl 84.30.

Analysts say the Rodamco crisis has hurt Robeco's image, at least in the short term, but that it should be able to weather the storm. "This has caused a dent in its image, but the damage is certainly not beyond repair," says Mr Fokko Tuin of Kempen & Co in Amsterdam.

Rodamco, which was established in 1979, was the world's first, and so far only, major publicly-listed property fund to adopt an open-ended structure.

After struggling in the early years, Rodamco grew quickly, partly by acquisition. Its portfolio of prime commercial property is worth Fl 9bn, making it the world's fourth largest property fund.

Rodamco has always been more of a headline-maker than the other funds. In 1986 it made a successful bid for Haslemere Estates, a UK property developer, boosting its assets by almost half. In 1989, it tried to repeat this success by launching a £1.3bn hostile bid for Hammerson, Britain's third largest property group, but it lost the bidding war to the Scottish insurer Standard Life.

"Rodamco had a brilliant image," notes Mr Andre Mulder, an analyst at Barclays de Zoete Wedd Nederland. "For a long time it was seen as *the* way to invest in property." Rodamco's recent predicament means that it will probably never return fully to an open-end policy, even after the current crisis passes.

The irony of Robeco's setback is that after years of successfully striving to make property investment no different from share and bond investment, it is now having to stress to investors that there are, in fact, differences between these three markets.

For while the underlying shares and bonds in the other funds could be liquidated at will to raise the cash needed to buy in shares, property investments are by nature illiquid and cannot be disposed of easily without suffering losses.

Robeco has never had to dwell on these distinctions before in its worldwide marketing efforts. A reappraisal of its strategy is now inevitable.

Analysts accept Robeco's argument that Rodamco is a special case unlikely to be repeated elsewhere in the group. They point out, however, that this is tantamount to an admission by Robeco that the Rodamco concept was seriously flawed from the outset.

The defects are only now coming to light because of severe downturns in the US, UK and Japanese property markets, they say. More than 65 per cent of Rodamco's property holdings are concentrated in two markets, the US and the UK.

Meanwhile, the race for institutional investors is also intensifying. On Thursday, Fidelity Investments of the US – the only independent investment group in the world bigger than Robeco – unveiled a new 21-fund investment package in Amsterdam aimed at Dutch institutional investors.

To cope with the challenge of growing competition, Robeco announced in May that it was entering into a strategic alliance with Rabobank, the Dutch co-operative bank, whose 2,000 branches will carry only Robeco products once the co-operation pact is finalised.

Robeco has also been casting around for new ways of expanding internationally. Earlier this year, it transformed its Geneva office into a Swiss bank in an attempt to woo wealthy investors by offering them banking services such as current and deposit accounts.

The bank has opened an office in Frankfurt to penetrate the potentially rich German market. Currently, Robeco's biggest market outside the Netherlands is France.

Esselte sells printing units

By **Jack Burton** in Stockholm

ESSELTE, the Swedish office products group, yesterday continued to divest itself of its publishing and media interests by selling its printing operations – its original business – in a management buy-out.

The new owners will consist of executives from Esselte's four printing companies, which have an annual combined turnover of SKr280m ($48.6m), as well as Skandinaviska Enskilda Banken, Sweden's largest commercial bank group, through its subsidiary Scandinavian Acquisition Capital, which will provide capital and debt financing.

Plans call for the printing companies to be combined into a new concern to be listed on the Stockholm bourse.

Esselte has made good progress in disposing of assets outside its core business of office products as part of a shake-up to increase profits. It expects to sell shortly its remaining media operations, including the pay TV channel Filmnet.

Tootal declines 17% to £16m

By **Jane Fuller** in London

TOOTAL Group, the UK textiles concern in which Coats Viyella retains a 29.9 per cent stake after an aborted merger, suffered a fall in pre-tax profit of 17 per cent to £16.01m ($30m) in the six months to July 31.

In thread, which accounted for 44 per cent of sales and where the merger would have created the world's biggest single force, trading profit was down by 10 per cent.

Group turnover advanced by 5 per cent to £266.81m. Mr Geoffrey Maddrell, chief executive, said that ongoing activities would have led to a 12 per cent sales increase at constant exchange rates.

Most of the £3.2m fall in pre-tax profit was due to the phasing out of the Da Gama South African business and the sale of Sandhurst, an office supplies subsidiary. A £2.5m profit from the Da Gama sale was included in group profit.

Mr Maddrell said 40 per cent of trading profit came from Asia and continental Europe, where sales had grown 20 per cent. The UK's profit contribution was 25 per cent, while the US was responsible for 30 per cent.

In thread, sales increased by 5.5 per cent to £117.92m, but trading profit fell to £9.52m. The strengthening pound had adversely affected the figures, he said.

Performances ranged from strong growth in Hong Kong and China, where profit margins were more than 15 per cent, to the UK, which was still causing concern after a cost-cutting exercise involving 200 redundancies. The North American market had also softened.

Sales and profit growth in the fabric division was more than 20 per cent, at £42.73m and £2.45m respectively. Mr Maddrell said last year's move into southern Europe had paid off.

Earnings per share fell 22 per cent to 3.62p as the tax rate rose from 27 to 33 per cent.

See Lex, Page 24

COMPANY NEWS IN BRIEF

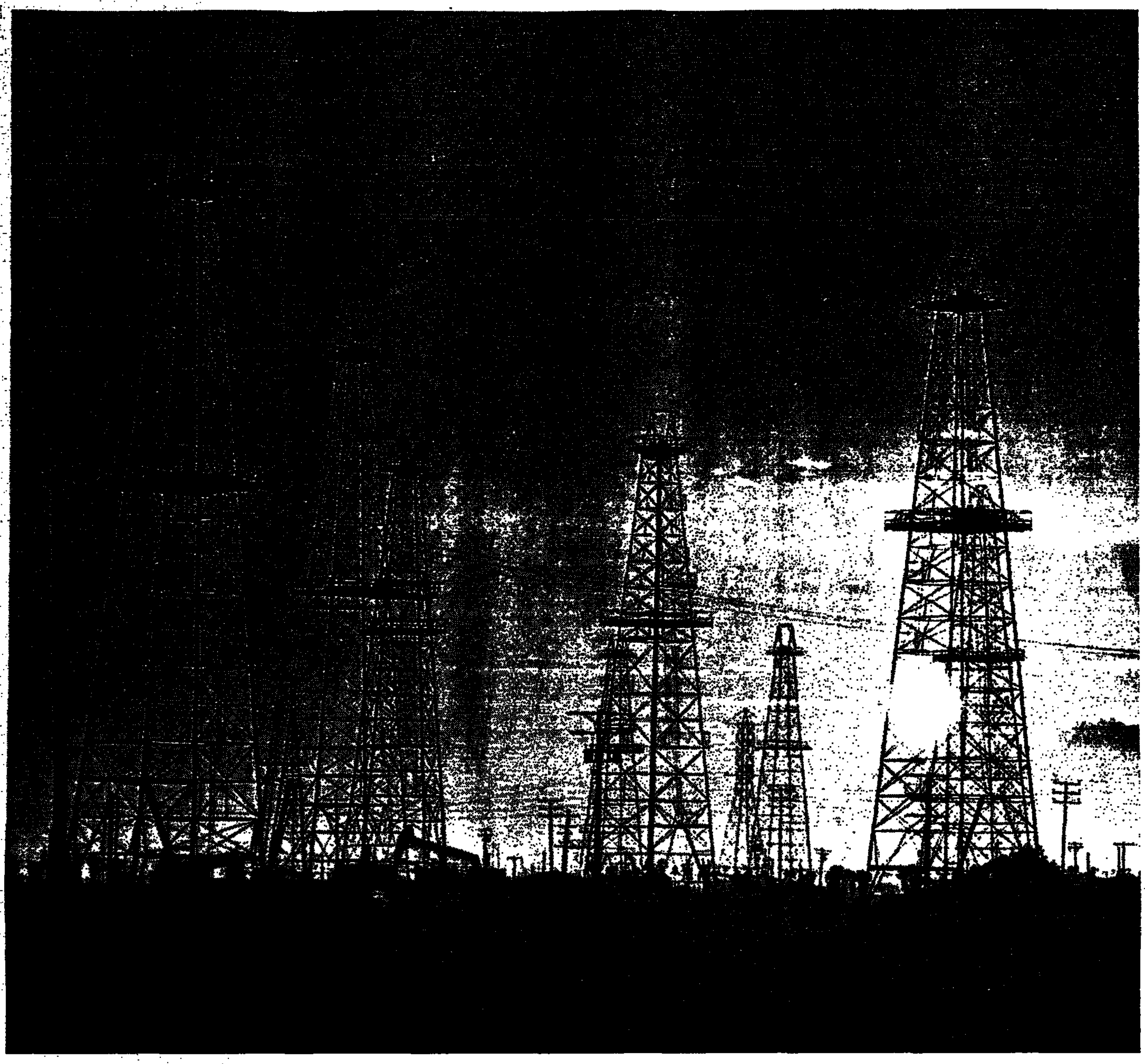
GREY, the New York-based marketing group, bought a minority holding in Mainosyhtyma, one of the largest advertising agencies in Finland, writes Alice Rawsthorn. Mainosyhtyma will be renamed MY & Grey. Grey group is the largest player in Finnish advertising with billings of $125m.

■ Scandinavian Airlines System said Finland's Finnair had bought a $10m minority stake in its SAS International Hotels (SIH), agencies report. SIH has 25 hotels in Scandinavia, Hamburg, Brussels, Amsterdam and Vienna. It also has a 40 per cent stake in the Intercontinental Hotel chain. Finnair is investing $10m in an issue of SIH preferred and convertible shares. SAS did not say what percentage of SIH the purchase represented, but said the deal was part of a co-operation accord signed between Finnair and SAS in 1989.

■ Trelleborg, the Swedish conglomerate, said its subsidiary Boliden Intertrade had acquired US-based Tennessee Chemical Company (TCC) for an undisclosed sum. Trelleborg said TCC was a producer of sulphuric acid and had an annual turnover of $70m. Boliden Intertrade is one of the world's largest traders of sulphuric acid.

■ Lyonnaise des Eaux-Dumez, the newly created French water and construction company, has bought stakes in Italian and Canadian companies with a combined turnover of about FFr400m ($76.3m). The company said it took a 45 per cent stake in Canadian water analyst Zenon Environmental Laboratories, which had a turnover of FFr50m in 1989. It also bought 30 per cent of CREA, the Italian sewage treatment company, with a FFr350m turnover.

■ Deutsche Aerospace (Dasa), the Daimler aerospace unit, signed an agreement with US General Electric's astro-space division to co-operate on commercial satellite transmission. Dasa said the agreement would increase both companies' market potential.



Time running out for ENTel deal

By John Barham in Buenos Aires

MANUFACTURERS Hanover, Bell Atlantic and a group of Argentine investors are still having difficulty scraping together the funds to complete their bid to take over half of ENTel, Argentina's state-owned telephone company.

Ms Maria Julia Alsogaray, ENTel's administrator, said yesterday that the October 4 deadline for signing the sale contract was "inviolate". But bankers in Buenos Aires say the consortium still faces difficulties in getting together the cash and debt-for-equity instruments.

President Carlos Menem said that, if Manufacturers Hanover, Argentina's largest commercial bank creditor, was unable to meet the deadline, its bid would be cancelled and a group led by Morgan Guaranty Trust, third in the original bidding battle for ENTel, would take its place.

Telefonica de Espana and Citibank, the group chosen to run the other half of ENTel, would take over operation of all ENTel services until Morgan, or another buyer, could assume control.

The ENTel sale is President Menem's first large privatisation.

Iberia and its Argentine partners made a $130m payment towards the Aerolineas deal last week. However, the group faces political opposition to its plan to finance the purchase through a sale and lease back of some of the airline's aircraft.

The Manufacturers Hanover group offered to pay $100m in cash plus $2.3bn in Argentine debt certificates for ENTel. These certificates are now valued at 13 per cent of face value on the secondary debt market.

However, it has failed to convince other creditor banks to swap their Argentine debt certificates for shares in ENTel, meaning that it may not sign the sale contract. The contract binds the government to turning over ENTel on October 8 and commits the buyers to provide the necessary cash and debt paper on the same day.

Modern Armada enters Argentina

John Barham on Spanish moves into an economy starting to go private

Two years before Spain celebrates the 500th anniversary of Christopher Columbus's journey to the Americas, Spain's public companies are returning to take control of key sectors of the Argentine economy.

However, efforts by the Spanish government to encourage public and private investments in Argentina's troubled economy are running into problems.

The government of Mr Felipe González has encouraged Spanish state companies to invest in Argentina, both to support President Carlos Menem's huge task of reforming the economy, and to encourage private Spanish companies to hunt for profitable opportunities in Latin America.

Mr César Alba, chief of the Spanish embassy's commercial office in Buenos Aires, said: "Companies preparing for 1992 are finding they do not have any space in Europe and the government thinks there is great potential for growth in Latin America, once the necessary adjustments have been made."

Spain has become a net capital exporter. Last year it saw an outflow of Pta280.4bn ($2.9bn), an increase of 22 per cent over 1988. However, Argentina is getting a smaller slice of the bigger cake. Its share of Spanish investments has shrunk to 1.2 per cent in 1989, from 1.7 per cent in 1988 and a high of 3.7 per cent in 1987.

Now, five large companies are spearheading the investment effort by participating in Argentina's privatisation fire-sale.


Carlos Menem: huge task of reforming Argentine economy

- Iberia, the Spanish state-owned airline, with a group of Argentine investors, is acquiring 85 per cent of Aerolineas Argentinas, the Argentine national airline.
- Telefonica de España, the telephone company part-owned by the Spanish government, plans to take over half of ENTel, Argentina's telephone company, with a group of American banks and Argentine investors. This could be increased to the entire company.
- Renfe, the Spanish railway company, Repsol, the state oil company, and Unión Eléctrica Fenosa, an electricity company part-owned by the government, are in the running to buy other Argentine government assets.

Madrid has also offered Argentina a soft loan and investment package worth $1bn, although disbursement of the funds is lost in Argentina's labyrinthine bureaucracy.

Argentine assets are reasonably cheap. It has impressive, undeveloped natural resources and industry has spare capacity.

Above all, President Menem's privatisation programme is underpinned by debt-for-equity conversions, in which foreign banks accept heavy discounts on their Argentine loans by swapping them for shares in companies or selling them to investors.

For instance, Iberia and its partners, the only group to bid for Aerolineas Argentinas, are to pay the government $130m cash and $130m spread over five years, plus Argentine debt worth a nominal $2bn, part of which they are paying through shares in Aerolineas.

Some believe that Spain's cultural and historical ties with Latin America make it easier for Spanish companies than for competitors from other countries to do business in Argentina.

Renfe has bid for a 30-year concession to run freight traffic on a 5,200km stretch of railway with a group of Argentine partners. But Spanish business executives are not rushing to follow the state companies' lead.

An executive of a state-owned Spanish bank (which is supposed to be encouraging investments), made this damning comment: "Argentine assets may be cheap, but it's an extremely chaotic, bureaucratic and corrupt country – there is no doubt that corruption blocks investments.

"Nobody would invest in Argentina without the subsidy of debt conversions."

The $1bn Spanish package is a truncated version of an earlier accord in which private Spanish and Argentine investors were to commit $2bn to Argentina.

The state companies' investment strategies hardly represent an unequivocal commitment to Argentina. Iberia will hold only 17 per cent of Aerolineas, and the group to which it belongs plans to finance the acquisition with a $225,000 sale-and-lease-back of Aerolineas aircraft. But they are committed to investing $684m in the company over the next five years.

Telefonica will hold only 20 per cent of ENTel. And Renfe could finance its Argentine rail concession by selling it obsolete rolling stock.

Yet partnerships and sophisticated financial engineering are ways of limiting risk and maximising profit from which private companies could learn.

Furthermore, business confidence will grow immeasurably if Mr Menem sticks to his free market policies and applies the brakes to the monthly inflation rate of 15 per cent.

Should Telefonica and Iberia succeed in the awesome task of making their Argentine ventures well-organised and profitable, then, perhaps, private companies will think seriously about investing real money in Argentina, instead of recycling their foreign debt.

Campeau increases midway net loss by 68%

By Bernard Simon in Toronto

A HUGE debt-service burden, reduced operating income and asset writedowns pushed Campeau Corporation, the ailing Canadian real estate and retailing group, into another big loss for the six months to July 31.

The net loss was US$321m, or US$7.36 per common share, up from $191m ($4.52 a share) a year earlier. The company, whose US department store subsidiaries, Federated and Allied, filed for Chapter 11 protection from their creditors this year and which is struggling to extract concessions from its lenders, had a shareholders' deficiency of $2bn on July 31, against $1.7bn a year earlier.

Operating income slid to $234m from $425m. Financing costs totalled $481m, down from $575m a year earlier. Campeau's long-term debt totalled $9.9bn on July 31.

The 1990 loss does not include $136m of interest on unsecured debt of the department store groups, nor $24m in dividends on Allied's preferred shares.

Besides the financing burden of the $10bn takeover of Federated and Allied, Campeau's core real estate operations have been hit by the steep downturn in the North American commercial property market. Operating income from real estate plunged to $2m from $75m, due largely to a $56m provision on a mixed-use development in Boston.

The latest results include a $23m writedown on unsold real estate assets.

Campeau's future hinges largely on negotiations to extract debt standstill agreements from two creditors – US shopping mall developer Mr Edward J DeBartolo and Olympia & York Developments of Toronto.

The company last week extended until this Wednesday a deadline for renegotiating the terms of $480m of debt owed to Mr DeBartolo.

Campeau defaulted on the debt last January, and Mr DeBartolo can seize collateral on nine days' notice.

Its shares were trading at 86 cents in Toronto yesterday, compared with last year's peak of C$22.75.

The bright spot is Ralphs Grocery Company, a California supermarket chain not in Chapter 11, whose operating profit rose to $90m from $85m.

Wal-Mart buys distributor

WAL-MART, the fast-growing US retail chain, yesterday announced it was boosting its distribution operations by buying McLane Company, a privately-owned Texas group, writes Nikki Tait in New York.

No price was disclosed. McLane had sales of more than $2.6bn last year and serves about 26,000 stores nationwide.

It has 14 distribution centres in 11 states, with some weighting towards the west and south. Wal-Mart said that these would continue to service their existing customer base, as well as Wal-Mart outlets.

Unisys in launch of software

By Michael Skapinker in London and Louise Kehoe in New York

UNISYS, the US computer company, yesterday announced the introduction of software which would integrate its systems with those of other manufacturers.

The move follows last week's announcement that the company, the world's fourth largest computer manufacturer, was suspending payment of quarterly dividends on its common shares to reduce its debt.

Unisys also said it expected to report a loss for the current third quarter and to return to profitability in the fourth quarter.

Unisys, formed in 1986 following the $4.8bn acquisition of Sperry by Burroughs, has carried a heavy debt load since. At the end of the second quarter the company's long-term debt was $3.6bn.

The new products were introduced yesterday in London and New York.

Mr John Perry, chairman of Unisys in the UK, said: "The Unisys architecture is based on the recognition that organisations today are demanding the freedom and flexibility to choose the best solution, regardless of who the vendors are.

"They want to be assured that their systems will work together to form a cohesive, accessible information network."

Matsushita and MCA plan joint venture company

By Robert Thomson in Tokyo

THE Victor Company of Japan (JVC), a member of the Matsushita Electric group, yesterday announced agreement with MCA Music Entertainment, a unit of MCA of the US, to form a joint venture company to market recorded music in Japan and to promote Japanese recording artists.

JVC announced the deal yesterday because of rumours that the agreement was part of a Matsushita takeover of MCA, reports of which surfaced last week.

JVC made clear that the new record company is separate from any takeover negotiations and that the agreement should not be taken as a sign that Matsushita will buy the MCA group.

The rush to end those takeover rumours has meant that few details are available about the new company, which will be equally owned by MCA and JVC/Victor Musical Industries, but which has yet to be named.

"We felt we should make this deal public because of the rumours. We have a memorandum of understanding, but the name of the company and of the president, and the amount of capital will come later," the spokesman said.

The new company will market all MCA artists in Japan, including those of Geffen Records, acquired earlier this year and run by Mr David Geffen, and will begin operations after 1991, when current licensing agreements with Warner Music International expire.

Artists covered by MCA labels include Guns and Roses, Aerosmith, and Tiffany, while JVC labels cover a range of Japanese artists. The joint venture company will attempt to discover new Japanese artists and market them internationally.

The agreement fits the trend of Japanese consumer electronics makers seeking to expand their entertainment software networks, which is also the basis for Matsushita's interest in the MCA group.

VW competes for Skoda stake

By Kevin Done, Motor Industry Correspondent

VOLKSWAGEN of Germany and the newly formed alliance between Renault and Volvo have submitted competing bids to take substantial equity stakes in Skoda, the Czechoslovak car maker.

VW made its presentation to Skoda yesterday, while Renault and Volvo submitted a joint bid late last week. It is expected that Skoda and the Czechoslovak government will make a final decision on the competing bids within the next four weeks.

Under the terms of the Franco-Swedish bid it is understood both Renault and Volvo would directly hold shares in Skoda.

Renault and Volvo agreed last week the final terms of their far-reaching alliance under which they will take 25 per cent cross-holdings in each other's car operations and 45 per cent cross-holdings in their respective truck operations.

The bid for a stake in Skoda is the first time that the two companies have sought to make a joint approach to another vehicle maker.

Skoda, which produced 183,000 cars last year, has been one of the main targets for western car makers seeking an entry into eastern Europe. Advised by Price Waterhouse, the international business consultants, Skoda originally examined approaches from eight European and US car makers, before seeking final bids from VW and Renault.


Pehr Gyllenhammar: paid a visit to Prague

Mr Zdenek Patocka, Skoda deputy general manager who has led the joint venture negotiations, said earlier this year that Skoda would prefer to keep majority control of any joint venture and that it was keen to maintain the Skoda marque, but he said "it could be possible for the state to give up majority control".

Of Skoda's output last year of 183,000 cars, some 50,000 were exported to western markets.

The competition between VW and Renault was intensified last month when Mr Raymond Lévy, Renault chairman and chief executive, visited Prague – along with Mr Pehr Gyllenhammar, chairman and chief executive of Volvo – as part of a French delegation led by President François Mitterrand and including five French government ministers.

Mr Patocka said earlier this year that Skoda's priorities were to satisfy the Czechoslovak domestic market and to maintain exports to western markets to earn foreign currency and to ensure access to materials from western suppliers.

Skoda was aiming to double car output during the 1990s, said Mr Patocka, in collaboration with a western partner. It was seeking to increase production of its present Favorit range, which was styled by Italy's Bertone, to 250,000 by 1994/95, and was aiming also to double exports to maintain sales in western markets at 25 to 35 per cent of production.

The Czechoslovak motor industry is seen as the most advanced in eastern Europe, and western vehicle makers are also competing to establish joint ventures with BAZ, the Bratislava automotive works, which is seeking to set up a modern assembly venture for light commercial vehicles.

Separately, General Motors of the US is hoping to finalise a deal with Czechoslovakia – most probably with BAZ – in the next few weeks for the manufacturing of car gearboxes as part of its ambitious moves into eastern Europe.

Poor first half result for Straits Trading

By Joyce Quek in Singapore

STRAITS Trading Company (STC), the Singapore tin smelting, investment and property group, yesterday posted poorer half-time results.

Group turnover plunged 41 per cent to S$96.2m (US$55m) from S$162.3m, and after-tax profits fell to S$28.7m from S$30.5m for the six months to June 30. However, the bottom line was relieved again by extraordinary gains of S$13.9m, mostly from gains on the sale of investments set against write-offs.

The group forecasts that the second-half's net profits would approximate those of the first. However it said the impact of the Gulf crisis on world stockmarkets would effect investment income, a leading source of its revenue.

In 1989, higher dividends and contributions from Malaysian associate companies added S$30.3m to profits. At the midway stage investment income dropped 13 per cent to S$9.9m from S$11.3m in the year-ago period. The earnings per share slipped to 6.2 cents from 6.9 cents in mid-1989. An interim dividend of 4 cents has been declared.

The cash-rich STC had looked forward to 1990 as its strong balance sheet would enable it to respond to investment opportunities. The group's properties had good occupancy rates. Its namesake buildings in the prime central districts in Singapore and Kuala Lumpur, Malaysia, benefited from the prevailing high rental rates.

Henderson Land up at HK$1.74bn

By Angus Foster in Hong Kong

HENDERSON Land, a leading Hong Kong property company, has announced a 33 per cent rise in the year to end-June.

The company announced after-tax profits of HK$1.74bn (US$225m) against HK$1.31bn last year.

The company is recommending a final dividend of 14 cents a share.

Malaysia redials privatisation line

Lim Siong Hoon on how Kuala Lumpur is speeding up its sell-off plans

Telekom Malaysia, the state-owned telecommunications monopoly, which formally opened its flotation sale last week, marks the start of the Malaysian government's move to shift its privatisation programme into top gear.

As many as 10 of Malaysia's largest agencies and commercial enterprises, from heavy industries to property development, are now the targets for the change-over.

National Electricity Board, the power monopoly, was formed into a company named Tenaga Nasional last month.

This month, two "Successor Company" bills are to be tabled in parliament that will give legal recognition to operate the airports and the Malayan Railway as business entities.

In common with the establishment of Tenaga Nasional, the successor railway and airport companies provide the transition, and offer the way, to pass ownership from the state into private hands.

The government has also announced that Peremba and Kumpulan Fima, two of its largest commercial enterprises, are to be sold to the civil service management staff as early as December. Peremba is a property group, and Fima a conglomerate whose interests include packaging.

Telekom remains by far the biggest privatisation deal that has led to an actual divestment, nearly four years since it was given company status.

The sale represents a 24 per cent equity stake in the group's M$1.97bn capital share. It will raise M$2.35bn (US$900m) against M$3bn collected through the Kuala Lumpur Stock Exchange last year.

But no one sees any difficulty in the market's ability to fund the issue. This is because half of the 470.5m shares, offered at M$5 each, are being privately placed, mostly for long-term investments to state-controlled institutions. Public subscriptions will contribute M$789.5m of the total offer while an allocation to Telekom's 28,000 employees will raise M$352.5m.

In comparison three new listing issues in one week in the market recently drew M$1bn against the overall goal of M$130m. The public portion has been underwritten by 24 domestic stockbroking houses and banks, lead by Arab-Malaysian, the country's largest merchant banker.

Telekom's articles permit a foreign stake of up to 25 per cent, an equity feature directed in part to attract foreign financial and technological backing. This feature, the government has indicated, could be made permanent in future privatisation listings which are substantially large, such as in Tenaga Nasional and Proton, the state-owned car maker.

Telekom is not the first to accept participation from abroad, but it is unlike the earlier privatisations of the airline and shipping groups where their foreign equity portions were set at 30 per cent each. Discussions to have telecommunications groups in the UK, Canada, Japan and the US take a share in Telekom appear to have been inconclusive – as indicated by the finance ministry which said recently that only 50m shares, or 2.5 per cent, would be placed initially.

The official position has been that foreign investors ought to pay a premium on privatisation offers; more than M$5 a share in Telekom's case. Although the Telekom offer at home and abroad will eventually reduce the government's direct stake to 50 per cent, the state retains a solid control of the group in other ways.

Under Telekom's articles, equity control and voting rights by each individual or group is limited to 5 per cent. Furthermore, the government is given a veto share and the right to appoint half of the maximum 12-member board.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday October 1,1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	52.5271	33.8448	38.3574
Albania	(Lek)	10.2133	5.4052	3.4827	3.9471
Algeria	(Dinar)	17.5925	9.3106	5.9991	6.7990
Andorra	(Fr Fr)	9.8250	5.1997	3.3503	3.7971
	(Sp Peseta)	183.25	96.9833	62.4893	70.8212
Angola	(Kwanza)	56.2710	29.7808	19.1887	21.7472
Antigua	(E Carr $)	5.11	2.7044	1.7425	1.9748
Argentina	(Austral)	10526.2	5570.8917	3589.4970	4068.0966
Aruba	(Florin)	3.3894	1.7938	1.1558	1.3099
Australia	(Aus $)	2.2740	1.2034	0.7754	0.8788
Austria	(Schilling)	20.605	10.9050	7.0264	7.9632
Azores	(Port Escudo)	259.60	137.3908	88.5251	100.3285
Bahamas	(Bahama $)	1.8995	1	0.6443	0.7302
Bahrain	(Dinar)	0.7110	0.3762	0.2424	0.2747
Balearic Is	(Sp Peseta)	183.25	96.9833	62.4893	70.8212
Bangladesh	(Taka)	67.00	35.4591	22.8473	25.8937
Barbados	(Barb $)	3.8084	2.0113	1.2986	1.4718
Belgium	(Belg Fr)	60.45	31.9925	20.6138	23.3623
Belize	(B $)	3.7870	2	1.2913	1.4635
Benin	(CFA Fr)	491.25	259.9894	167.5191	189.8550
Bermuda	(Bermudian $)	1.8895	1	0.6443	0.7302
Bhutan	(Ngultrum)	35.00	18.5234	11.9352	13.5265
Bolivia	(Boliviano)	6.1539	3.2568	2.0985	2.3783
Botswana	(Pula)	3.55	1.8788	1.2105	1.3719
Brazil	(Cruzado)	159.169	84.2386	54.2775	61.5145
British Virgin Is	(US $)	1.8895	1	0.6443	0.7302
Brunei	(Brunei $)	3.3273	1.7609	1.1346	1.2859
Bulgaria	(Lev)	5.5416	2.9328	1.8897	2.1416
Burkina Faso	(CFA Fr)	491.25	259.9894	167.5191	189.8550
Burma	(Kyat)	11.5102	6.0916	3.9250	4.4483
Burundi	(Burundi Fr)	312.623	165.4527	106.6063	120.8204
Cambodia	(Riel)	871.01u	460	297.0196	336.6222
Cameroon	(CFA Fr)	491.25	259.9894	167.5191	189.8550
Canada	(Canadian $)	2.1760	1.1516	0.7420	0.8409
Canary Is	(Sp Peseta)	183.25	96.9833	62.4893	70.8212
Cp. Verde	(CV Escudo)	128.985	68.2640	43.9846	49.8492
Cayman Is	(CI $)	1.5716	0.8317	0.5359	0.6073
Cent. Afr. Rep	(CFA Fr)	491.25	259.9894	167.5191	189.8550
Chad	(CFA Fr)	491.25	259.9894	167.5191	189.8550
Chile	(Chilean Peso)	588.16	311.2781	200.5660	227.3082
China	(Renminbi Yuan)	8.8988	4.7096	3.0345	3.4391
Colombia	(Col Peso)	984.50	521.0373	335.7203	380.4830
Comoros	(CFA Fr)	491.25	259.9894	167.5191	189.8550
Congo (Brazz)	(CFA Fr)	491.25	259.9894	167.5191	189.8550
Costa Rica	(Colon)	180.58	95.5702	61.5788	69.7893
Côte d'Ivoire	(CFA Fr)	491.25	259.9894	167.5191	189.8550
Cuba	(Cuban Peso)	1.5083	0.7982	0.5143	0.5829
Cyprus	(Cyprus £)	0.8830	0.4673	0.3011	0.3412
Czechoslovakia	*(Koruna)*	*29.71c*	*15.7237*	*10.1312*	*11.4821*
		50.11t	26.5202	17.0878	19.3661
Denmark	(Danish Kroner)	11.2000	5.9274	3.8192	4.3285
Djibouti Rep	(Djib Fr)	334.12	176.8298	113.9369	129.1285
Dominica	(E Carrib $)	5.11	2.7044	1.7425	1.9748
Dominican Rep	(D Peso)	20.6217	10.9138	7.0321	7.9697
Ecuador	(Sucre)	1686.95	892.8023	575.2600	651.9613
		1630.00a	862.6620	555.8397	629.9516
Egypt	(Egyptian £)	5.15	2.7255	1.7561	1.9903
El Salvador	(Colon)	12.0078	6.3550	4.0947	4.6406
Equat'l Guinea	(CFA Fr)	491.25	259.9894	167.5191	189.8550
Ethiopia	(Ethiopian Birr)	3.8823	2.0546	1.3238	1.5004
Falkland Is	(Falk £)	1.00	0.5292	0.3410	0.3864
Faroe Is	(Danish Kroner)	11.2000	5.9274	3.8192	4.3285
Fiji Is	(Fiji $)	2.7199	1.4394	0.9275	1.0511
Finland	(Markka)	6.9563	3.6815	2.3721	2.6884
France	(Fr)	9.8250	5.1997	3.3503	3.7971
Fr. Cty/Africa	(CFA Fr)	491.25	259.9894	167.5191	189.8550
Fr. Guiana	(Local Fr)	9.8250	5.1997	3.3503	3.7971
Fr. Pacific Is	(CFP Fr)	177.60	93.9931	60.5626	68.6376
Gabon	(CFA Fr)	491.25	259.9894	167.5191	189.8550
Gambia	(Dalasi)	15.0132	7.9455	5.1195	5.8022
Germany East	(DMark)	2.9325	1.5519	1	1.1333
Germany West	(DMark)	2.9325	1.5519	1	1.1333
Ghana	(Cedi)	638.11	337.7136	217.5993	246.6125
Gibraltar	(Gib £)	1.00	0.5292	0.3410	0.3864
Greece	(Drachma)	291.63	154.3424	99.4475	112.7072
Greenland	(Danish Krone)	11.2000	5.9274	3.8192	4.3285
Grenada	(E Carr $)	5.11	2.7044	1.7425	1.9748
Guadaloupe	(Local Fr)	9.8250	5.1997	3.3503	3.7971
Guam	(US $)	1.8895	1	0.6443	0.7302
Guatemala	(Quetzal)	8.5405	4.5199	2.9123	3.3006
Guinea	(Fr)	568.05	300.6350	193.7084	219.5362
Guinea-Bissau	(Peso)	1230.77	651.3733	419.6999	475.6599
Guyana	(Guyanese $)	84.36a	45	28.7672	32.6028
Haiti	(Goude)	9.4675	5	3.2284	3.6589
Honduras	(Lempira)	9.2607	4.9011	3.1579	3.5790
Hong Kong	(HK $)	14.6655	7.7615	5.0010	5.6678
Hungary	(Forint)	116.687	61.7554	39.7909	45.0964
Iceland	*(Icelandic Krona)*	*105.35*	*55.7554*	*35.9249*	*40.7149*
India	(Indian Rupee)	35.00	18.5234	11.9352	13.5265
Indonesia	(Rupiah)	3509.37	1857.3008	1196.7161	1356.2782
Iran	(Rial)	124.00	66.2000	42.2847	47.9227
Iraq	(Iraqi Dinar)	0.5840	0.3090	0.1991	0.2257
Irish Rep	(Punt)	1.0925	0.5781	0.3725	0.4222
Israel	(Shekel)	3.785	2.0031	1.2907	1.4628
Italy	(Lira)	2198.0	1163.2707	749.5311	849.4685
Jamaica	(Jamaican $)	14.515	7.6819	4.9497	5.6096
Japan	(Yen)	258.75	136.9409	88.2352	100
Jordan	(Jordanian Dinar)	1.233	0.6525	0.4204	0.4765
Kenya	(Kenya Shilling)	43.60	23.0748	14.8678	16.8502
Kiribati	(Australian $)	2.2740	1.2034	0.7754	0.8788
Korea North	(Won)	1.8367	0.9720	0.6263	0.7098
Korea South	(Won)	1339.02	708.6656	456.6138	517.4956
Kuwait	(Kuwaiti Dinar)‡				
Laos	(New Kip)	1344.38	711.5003	458.4416	519.5671
Lebanon	(Lebanese £)	1743.10	922.5191	594.4075	673.6618
Lesotho	(Maloti)	4.8503	2.5669	1.6539	1.8745
Liberia	(Liberian $)	1.8895	1	0.6443	0.7302
Libya	(Libyan Dinar)	0.5218	0.2761	0.1779	0.2016
Liechenstein	(Swiss Fr)	2.4350	1.2887	0.8303	0.9410
Luxembourg	(Lux Fr)	60.45	31.9925	20.6138	23.3623
Macao	(Pataca)	15.1775	8.0325	5.1756	5.8657
Madeira	(Port Escudo)	259.60	137.3908	88.5251	100.3285
Malagasy Rep	(MG Fr)	2382.50	1260.9155	812.4467	920.7729
Malawi	(Kwacha)	4.9850	2.6382	1.6999	1.9265
Malaysia	(Ringgit)	5.0983	2.6982	1.7385	1.9703
Maldive Is	(Rufiya)	18.3613	9.7175	6.2613	7.0961
Mali Rep	(CFA Fr)	491.25	259.9894	167.5191	189.8550
Malta	(Maltese £)	0.5790	0.3064	0.1974	0.2237
Martinique	(Local Fr)	9.8250	5.1997	3.3503	3.7971
Mauritania	(Ouguiya)	153.181	81.0695	52.2356	59.2003
Mauritius	(Maur Rupee)	27.35	14.4747	9.3265	10.5700
Mexico	(Mexican Peso)	5493.78a	2907.5310	1873.4117	2123.2000
		5486.60d	2903.7311	1870.9633	2120.4251
Miquelon	(Local Fr)	9.8250	5.1997	3.3503	3.7971
Monaco	(French Fr)	9.8250	5.1997	3.3503	3.7971
Mongolia	(Tugrik)	6.3536	3.3625	2.1666	2.4554
Montserrat	(E Carr $)	5.11	2.7044	1.7425	1.9748
Morocco	(Dirham)	15.4226	8.1622	5.2591	5.9604
Mozambique	(Metical)	1795.77	950.3942	612.3682	694.0173
Namibia	(S A Rand)	4.8503	2.5669	1.6539	1.8745
Nauru Is	(Australian $)	2.2740	1.2034	0.7754	0.8788
Nepal	(Nepalese Rupee)	55.479	29.3617	18.9186	21.4411
Netherlands	(Guilder)	3.3050	1.7491	1.1270	1.2772
N'nd Antilles	(A/Guilder)	3.3407u	1.7900	1.1391	1.2910
New Zealand	(NZ $)	3.0480	1.6131	1.0393	1.1779
Nicaragua	(Cordoba)	2556225.0	1362857.899	871687.980	987913.043
Niger Rep	(CFA Fr)	491.25	259.9894	167.5191	189.8550
Nigeria	(Naira)	14.9965	7.9367	5.1138	5.7957
Norway	(Nor. Krone)	11.3800	6.0227	3.8806	4.3980
Oman	(Rial Omani)	0.7256	0.3840	0.2474	0.2804
Pakistan	(Pak. Rupee)	42.00	22.2281	14.3222	16.2318
Panama	(Balboa)	1.8895	1	0.6443	0.7302
Papua New Guinea	(Kina)	1.7739	0.9388	0.6049	0.6855
Paraguay	(Guarani)	2288.0	1210.9023	780.2216	884.2512
Peru	(Intl)	844501.0	446944.165	287979.881	326377.198
Philippines	(Peso)	48.00	25.4035	16.3682	18.5507
Pitcairn Is	(£ Sterling)	1.00	0.5292	0.3410	0.3864
	(NZ $)	3.0480	1.6131	1.0393	1.1779
Poland	(Zloty)	18300.0	9685.1018	6240.4092	7072.4637
Portugal	(Escudo)	259.60	137.3908	88.5251	100.3285
Puerto Rico	(US $)	1.8895	1	0.6443	0.7302
Qatar	(Riyal)	6.8643	3.6328	2.3407	2.6528
Reunion Is. de la	(F/Fr)	9.8250	5.1997	3.3503	3.7971
Romania	(Leu)	37.561	19.8782	12.8081	14.5159
Rwanda	(Fr)	135.175	71.5400	46.0954	52.2415
St Christopher	(E Carr $)	5.11	2.7044	1.7425	1.9748
St Helena	(£)	1.00	0.5292	0.3410	0.3864
St Lucia	(E Carr $)	5.11	2.7044	1.7425	1.9748
St Pierre	(French Fr)	9.8250	5.1997	3.3503	3.7971
St Vincent	(E Carr $)	5.11	2.7044	1.7425	1.9748
San Marino	(Italian Lira)	2198	1163.2707	749.5311	849.4685
Sao Tome	(Dobra)	285.35	151.0187	97.3060	110.2801
Saudi Arabia	(Riyal)	7.1213	3.7500	2.4284	2.7521
Senegal	(CFA Fr)	491.25	259.9894	167.5191	189.8550
Seychelles	(Rupee)	9.58	5.0701	3.2668	3.7024
Sierra Leone	(Leone)	314.70	166.5519	107.3145	121.6231
Singapore	($)	3.3273	1.7609	1.1346	1.2859
Solomon Is	($)	4.8530	2.5684	1.6549	1.8755
Somali Rep	(Shilling)	4960.97	2625.5464	1691.7203	1917.2830
South Africa	(Rand)	4.8503c	2.5669	1.6539	1.8745
		7.3260g	3.8772	2.4982	2.8313
Spain	(Peseta)	183.25	96.9833	62.4893	70.8212
Spanish Ports in N Africa	(Sp Peseta)	183.25	96.9833	62.4893	70.8212
Sri Lanka	(Rupee)	77.00	40.7515	26.2574	29.7584
Sudan Rep	(£)	21.68	11.4739	7.3930	8.3787
Surinam	(Guilder)	3.3799	1.7887	1.1525	1.3062
Swaziland	(Lilangeni)	4.8503	2.5669	1.6539	1.8745
Sweden	(Krona)	10.8125	5.7224	3.6871	4.1787
Switzerland	(Fr)	2.4350	1.2887	0.8303	0.9410
Syria	(£)	39.76a	21	13.5583	15.3661
Taiwan	($)	51.55	27.2750	17.5788	19.9227
Tanzania	(Shilling)	369.30	195.4485	125.9335	142.7246
Thailand	(Baht)	49.00	25.9327	16.7092	18.9371
Togo Rep	(CFA Fr)	491.25	259.9894	167.5191	189.8550
Tonga Is	(Pa Anga)	2.2740	1.2034	0.7754	0.8788
Trinidad/Tobago	($)	8.0474	4.2590	2.7442	3.1101
Tunisia	(Dinar)	1.6132	0.8537	0.5501	0.6234
Turkey	(Lira)	5129.73	2714.8610	1749.2685	1982.5043
Turks & Caicos	(US $)	1.8895	1	0.6443	0.7302
Tuvalu	(Australian $)	2.2740	1.2034	0.7754	0.8788
Uganda	(New Shilling)	913.27	483.3395	311.4305	352.9545
U A E	(Dirham)	6.9627	3.6718	2.3743	2.6908
United Kingdom	(£)	1.00	0.5292	0.3410	0.3864
United States	(US $)	1.8895	1	0.6443	0.7302
Uruguay	(Peso)	2513.45	1330.2196	857.1014	971.3816
USSR	(Rouble)	1.0580	0.5599	0.3607	0.4088
Vanuatu	(Vatu)	213.50	112.9928	72.8047	82.5120
Vatican	(Lira)	2198.0	1163.2707	749.5311	849.4685
Venezuela	(Bolivar)	91.265	48.3011	31.1219	35.2714
Vietnam	*(Dong)*	*9940.90*	*5261.1272*	*3389.9062*	*3841.8937*
Virgin Is-British	(US $)	1.8895	1	0.6443	0.7302
Virgin Is-US	(US $)	1.8895	1	0.6443	0.7302
Western Samoa	(Tala)	4.4422	2.3509	1.5148	1.7167
Yemen	(Rial)	22.8167	12.0755	7.7806	8.8180
Yemen PDR	(Dinar)	0.8739u	0.4614	0.2980	0.3377
Yugoslavia	(Dinar)	20.5176	10.8587	6.9966	7.9295
Zaire Rep	(Zaire)	1359.00	719.2378	463.4271	525.2173
Zambia	(Kwacha)	74.10	39.2167	25.2685	28.6376
Zimbabwe	($)	4.8150	2.5482	1.6419	1.8608

Special Drawing Rights Sept.28,1990 United Kingdom £0.743293 United States $1.39256 Germany West D Mark 2.17810 Japan Yen191.895 European Currency Unit Rates Oct.1,1990 United Kingdom £0.701575 United States $1.32668 Germany West D Mark 2.05834 Japan Yen181.954

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar; ‡ Kuwait Dinar Unavailable. Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Monday October 1,1990

COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN PIONEER ELECTRONIC CORPORATION

Public Notice of Record Date with respect to Interim Dividend.

Notice is hereby given that, pursuant to the provisions of the Articles of Incorporation of the Company, September 30, 1990, (because September 29 and September 30, this year, fall on Bank Holidays, it is in effect as of September 28, 1990, Japan time) is the record date for determining those shareholders or pledgees who shall receive interim dividend.

Dated the 13th Day of September, 1990.

Pioneer Electronic Corporation
4-1, Meguro 1-chome, Meguro-ku, Tokyo.

LEGAL NOTICES

JFD LIMITED

Registered number: 235486
Nature of business: Distribution agents
Trade classification: 48
date of appointment of joint administrative receivers: 31 Plc
John Martin Iredale and John Michael Thompson
Joint Administrative Receivers
(Office holder numbers 2104 and 5283)
Cork Gully
Shelley House
3 Noble House
London EC2V 7DQ

INTERNATIONAL CAPITAL MARKETS

Treasuries rally on back of sharp fall in oil futures

By Karen Zagor in New York and Tracy Corrigan in London

US Treasuries rallied yesterday afternoon on the back of plunging oil prices and the news of a tentative budget agreement.

In late trading, the Treasury's benchmark 30-year bond was up 1⅛ point at 99¼, yielding 8.83 per cent after posting gains of about ½ point earlier in the day. Gains were less pronounced at the short end of the yield curve, where issues were up about ⅛ point.

The bond market's bullish tone was set by sharp losses in oil futures, prompted by the prospect of a reduction in Gulf tensions, which eased inflation worries. November crude oil was quoted down $2.42 at $37.09 a barrel late in the day.

The bond market's more modest gains in morning trading reflected scepticism about the budget accord, which would cut the deficit by $34bn in the first year, compared with the $50bn many negotiators had hoped for. Economists were divided about the budget deal, which was described as "pretty flimsy" by Mr John Youngdahl, money market economist at Goldman Sachs, but "a credible package" by Mr David Resler, chief economist at Nomura Securities.

The market was also doubtful about the prospects of monetary policy being eased at today's meeting of the Federal Open Market Committee. The market expects the Fed to keep monetary policy on hold until a final budget deal is approved.

In late trading, Fed Funds changed hands at at 8¼ per cent. The Fed did not operate in the open market, but this was interpreted simply as a sign that last week's overnight system repurchase operations had added sufficient reserves to the banking system.

GOVERNMENT BONDS

■THE German bond market gained as much as half a point, spurred by the strong close of the US Treasuries on Friday.

Bunds held their gains, even when the US market failed to follow through convincingly.

On the London International Financial Futures Exchange, the 10-year Bund contract ended at 81.05, up from an opening level of 80.66, with no signs of breaking out of its 80 to 82 point range yet. Bond yields remain steady around 9 per cent, with traders torn between the negative implications of the continuing new paper supply and better-than-expected inflation numbers.

■LONG-dated gilts advanced half a point, outperforming the short end of the market, as short-term prospects of lower rates or inflation appear increasingly dim.

Economists expect the yield curve to become increasingly inverted as a result.

As well as the news from the US, the slight downward revision of August retail sales in the UK also helped the market. The 10-year contract on LIFFE gained 35 basis points to close at 89.03.

■FRENCH government bonds underperformed other European markets, partly because of nervousness ahead of Thursday's auction, traders said. The Treasury is expected to auction around FFr10bn of new debt, which is considered substantial supply given the current dearth of buyers. The 10-year future contract on the Matif, the Paris futures exchange, closed around 97, the current resistance level, up about 30 basis points.

■THE Japanese bond market rallied sharply, reversing the recent trend of simultaneous equity and bond market weakness. The slump of the Nikkei index below the 20,000 level prompted shift-to-quality buying of bonds and deposits. There was strong consolidation of the benchmark 119 issue, which rallied from a yield of around 8.70 per cent to end European trading around 8.45.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	101-18	+02/32	12.57	12.53	12.38
		9.000	03/00	84-15	+09/32	11.76	11.76	11.70
		9.000	10/08	83-17	+12/32	11.13	11.13	11.11
US TREASURY *		8.750	08/00	100-04	+17/32	8.72	9.02	8.88
		8.750	08/20	98-31	+32/32	8.84	9.17	8.99
JAPAN	No 119	4.800	6/99	81.6298	+0.855	8.46	8.68	8.09
	No 129	*6.400*	*06/00*	*91.0840*	*+0.922*	*8.06*	8.20	7.88
GERMANY		8.500	08/00	96.3500	+0.310	9.07	9.10	8.93
FRANCE	BTAN	9.000	11/95	94.6601	+0.224	10.38	10.53	10.31
	OAT	8.500	03/00	88.0400	+0.330	10.63	10.71	10.28
CANADA *		10.500	07/00	96.9000	+1.000	11.00	11.36	10.75
NETHERLANDS		9.000	07/00	98.2700	+0.260	9.27	9.28	8.95
AUSTRALIA		13.000	07/00	97.1165	+0.522	13.53	13.69	13.50

London closing. *denotes New York closing session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Turkish Airlines sale gazetted

By Jim Bodgener in Ankara

PLANS for the privatisation of Turkish Airlines have been officially gazetted, although the Gulf crisis means that the first move, probably a public issue of between 10 and 15 per cent of the airline's nominal TL700bn capital, has been put on hold.

How the remainder of the airline will be floated has not been decided. The Public Participation Administration (PPA), which oversees the Turkish government's ambitious privatisation programme, moved towards greater reliance on public issues earlier this year when two previous block sales to foreign interests were suspended by the courts on the grounds they contravened a government ruling that assets to be privatised first be offered to Turkish interests.

However, officials say neither block offers nor sales to foreigners have been ruled out for the rest of Turkish Airlines. The financial adviser to the issue is the Turkish institution Finansbank.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on October 1

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	*150*	*99⅞*	*100⅜*	*+⅛*	*8.89*
ALBERTA PROVINCE 9 3/8 95	600	100⅝	101	+⅛	9.18
AUSTRIA 8 1/2 00	400	93⅝	94	+⅜	9.55
BANK OF TOKYO 8 3/8 96	100	95	95½	+⅛	9.56
BELGIUM 9 1/8 92	400	100⅞	101¼	+⅛	8.61
BFCE 7 3/4 97	150	92⅝	93	+⅜	9.31
BNP 8 5/8 94	300	98⅝	99	+⅛	9.01
BP CAPITAL 9 5/8 93	150	101⅞	102¼	+⅜	8.95
CANADA 9 96	1000	100⅛	100⅜	+⅛	8.95
CARCO 9 1/4 96	650	98⅛	98⅝		9.67
CCCE 9 1/4 95	300	100⅝	101	+⅛	9.04
COUNCIL EUROPE 8 96	100	94½	95	+⅛	9.25
CREDIT FONCIER 9 1/2 99	300	99⅝	100	+⅛	9.55
DENMARK 0 98	250	48⅝	49⅜	+⅛	9.55
DENMARK 8 1/4 94	150	97½	97⅞	+⅛	9.03
ECSC 8 1/4 96	*193*	*95⅛*	*95⅝*	*+⅛*	*9.23*
EEC 7 1/4 93	250	97	97⅜	+⅛	8.64
EIB 7 3/4 96	250	93⅞	94¼	+⅛	9.15
EIB 10 97	250	103⅛	103⅝	+⅛	9.29
ELEC DE FRANCE 9 98	200	98⅞	99¼	+⅛	9.20
EUROFIMA 9 1/4 96	100	100⅛	100⅞	+⅜	9.20
EXPORT DEV CORP 9 1/2 98	150	100⅛	100⅝	+⅛	9.44
FINLAND 7 7/8 97	200	92½	92⅞	+⅛	9.57
FINNISH EXPORT 9 3/8 95	200	100⅝	101	+⅛	9.21
FORD MOTOR CREDIT 9 1/2 93	300	100⅞	100⅝	+⅛	9.34
GEN ELEC CAPITAL 9 3/8 96	300	99⅝	100⅛		9.41
GMAC 9 1/8 96	200	98½	99	+⅛	9.46
HALIFAX 9 1/2 93	200	101⅛	101⅝	+⅛	8.98
IBM WORLD TRADE 7 5/8 93	150	95⅞	96⅜	+⅛	9.18
IND BK JAPAN FIN 7 7/8 97	200	91⅝	91⅞	−⅛	9.70
INTER AMER DEV 7 5/8 96	200	92⅞	92⅞	+⅛	9.32
ITALY 8 1/2 94	1500	98⅜	98⅝	+⅛	8.99
JAPAN DEV BK 8 94	150	97	97⅜	+⅛	8.98
KANSAI ELEC PWR 10 96	350	101⅞	102⅜	+⅛	9.52
LTCB 8 5/8 93	150	99	99⅜	+⅛	9.06
NEW ZEALAND 8 93	100	98	98⅜	+⅛	8.83
NIPPON CRED BK 9 3/4 93	150	101⅜	101⅞	+⅛	9.20
NIPPON TEL & TEL 9 3/8 95	200	101⅛	101⅝	+⅛	9.03
NORDIC INV BANK 9 93	200	100⅞	101⅛	+⅛	8.60
OLYMPIA & YORK 8 1/4 96	435	86	88		11.71
ONTARIO HYDRO 11 5/8 94	200	105⅛	106⅛	−1⅛	9.67
OSTER KONTROLLBANK 8 1/8 93	200	98⅝	99	+⅛	8.73
PRUDENTIAL RLTY SECS 0 99	365.216	45⅝	46⅛		9.93
QUEBEC HYDRO 9 3/4 98	150	100⅞	100⅜	+⅛	9.73
QUEBEC PROV 9 98	200	96⅞	97⅛	+⅛	9.61
SAINSBURY 9 1/8 96	150	98½	98⅞	+½	9.46
SAS 10 99	200	99⅝	100⅛	+⅛	10.07
SBAB 9 1/2 95	500	101	101⅜	+⅛	9.20
STATE BK STH AUST 9 1/4 93	100	100⅜	100⅞	+⅛	9.02
SUMITOMO BK CAP MKT 9 3/8 93	150	100⅞	101⅛	+⅛	9.07
SWEDEN 8 1/8 94	150	97⅛	97⅝	+½	9.04
SWEDISH EXPORT 9 5/8 93	100	101⅞	102⅛		8.74
TOKYO METROPOLIS 8 1/4 96	200	95⅛	95⅝	+⅛	9.27
WORLD BANK 8 3/8 99	1500	94⅝	95	+⅜	9.46
WORLD BANK 8 3/4 97	1500	98⅝	98⅞	+⅛	9.24
XEROX CORPN 8 3/8 96	100	92	94	−⅛	10.23

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	96⅛	96½	−⅛	9.09
AUSTRIA 6 98	400	82⅝	82⅞	−⅛	9.36
CNT 6 1/8 98	200	82⅜	82⅞	−⅛	9.36
CREDIT FONCIER 6 3/4 99	500	85	85	−⅛	9.38
DEUTSCHE BK FIN 5 5/8 96	750	84⅛	84⅛		9.32
EEC 5 3/8 93	300	92⅛	92⅛	−⅛	9.31
EIB 6 1/8 96	300	85⅛	85⅛	−⅛	9.43
EIB 6 7/8 95	300	90⅛	90⅛		9.28
EUROFIMA 6 1/4 98	400	83⅛	83⅜		9.34
FELDMUEHLE FINANCE 8 99	200	91½	91½		9.41
FERRO DELSTAT 5 3/8 93	500	92⅛	92⅜	+⅛	9.00
IND BK JAPAN FIN 5 5/8 96	200	84⅛	84⅛	−⅛	9.40
INTER AMER DEV 7 1/4 99	300	88⅛	88⅜	−⅛	9.24
LUFTHANSA INT FIN 5 7/8 98	500	81⅛	81⅛		9.36
QUEBEC HYDRO 6 3/4 99	300	85⅛	86	+⅛	9.23
SWEDEN 6 1/8 98	300	83⅛	83⅜		9.28
WORLD BANK 0 15	2000	12⅝	12⅞	−⅛	8.55
WORLD BANK 5 3/4 96	300	84⅞	84⅞	+⅛	9.40
WORLD BANK 7 1/8 95	500	93	93	+⅛	9.15

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AIR CANADA 6 1/4 PERP	300	60	61	−1	10.40
ASIAN DEV BANK 6 10	100	81	82		7.91
AUSTRIA 4 5/8 98	100	86	87¼		7.13
COUNCIL EUROPE 4 3/4 98	250	83¼	84	−¼	7.76
EEC 5 1/2 00	100	87	88		7.36
EIB 5 3/4 93	100	95	96		7.63
FINLAND 5 3/8 95	150	93¼	94		6.87
GENERAL MOTORS 7 1/2 95	100	102	102¼	+¼	6.96
JAPAN DEV BK 5 1/2 94	100	95	96	+1	7.21
MOUNT ISA FINANCE 5 3/4 94	100	83	84	−2	11.78
NEW ZEALAND 4 7/8 99	200	81¼	82¼	−¼	7.94
QUEBEC HYDRO 5 08	100	74	75	−½	7.76
SKANDINAVISKA ENSK 6 1/2 95	100	97¼	98	+¼	7.26
WORLD BANK 6 1/4 92	100	96¼	96¾	+¼	8.32
WORLD BANK 7 1/4 92	100	100½	101		6.92

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	89⅞	90⅛	+⅛	8.38
CANADA 4 3/8 92	80000	93⅛	93⅞	+⅛	8.46
CREDIT FONCIER 5 1/4 94	20000	88⅞	89⅛	+⅛	8.62
DENMARK 7 95	40000	95⅛	95⅝	+⅛	8.30
EIB 4 5/8 94	40000	88⅝	89	+⅛	8.36
GENERAL ELECTRIC 5 3/4 93	35000	93⅛	94	+⅛	8.73
INTER AMER DEV 7 1/4 00	30000	94⅛	94⅞	+⅛	8.06
ITALY 5 3/4 92	150000	96½	96⅞	+⅛	8.50
KANSAI ELEC PWR 4 5/8 94	60000	88⅛	88⅝	+⅛	8.51
NIPPON TEL & TEL 5 7/8 96	50000	89⅝	90	+⅛	8.10
NORWAY 5 1/8 95	50000	88⅝	88⅞	+⅛	8.23
SWEDEN 5 3/8 95	20000	89⅞	89⅞	+⅛	8.31
WORLD BANK 6 3/4 00	50000	92⅛	92⅞	+⅛	7.96

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	*600*	*91⅛*	*92⅛*		*9.96*
KREDIETCORP 7 93 LFr	1000	93	94	+⅛	9.92
WORLD BANK 8 96 LFr	1000	92½	93½		9.79
AMRO BANK 6 1/4 92 Fl	150	94⅛	95⅛	+⅛	9.66
RABOBANK 5 3/4 93 Fl	150	92⅛	92⅝	−⅛	9.52
ALBERTA PROVINCE 10 92 CS	500	97	97⅜	+⅛	11.90
BCE INC 9 5/8 93 CS	300	94⅛	94⅜	+⅛	12.30
BELL CANADA 10 5/8 99 CS	150	91⅜	91⅞	+⅛	12.26
BRITISH COLUMBIA 9 1/4 93 CS	150	94	94⅜	+⅛	12.19
EIB 10 1/8 98 CS	130	91⅜	92⅛	+⅛	11.85
FORD CREDIT CANADA 10 94 CS	100	93⅛	94	+⅛	12.19
GENERAL ELECT CAP 10 1/4 93 CS	175	96	96⅛	+⅛	11.91
MONTREAL TRUSTCO 8 1/2 92 CS	100	93⅛	94⅛		13.18
ONTARIO HYDRO 10 7/8 99 CS	500	93⅛	93⅝	+⅛	12.14
QUEBEC PROV 10 1/2 98 CS	200	90⅞	91⅜	+⅛	12.32
ROYAL TRUSTCO 10 1/4 93 CS	*100*	*94⅛*	*95⅛*	*+⅛*	*12.78*
SWEDEN 9 3/4 93 CS	250	95⅛	95⅝	+⅛	11.92
AUSTRIA 7 3/8 95 Ecu	125	91⅞	93	−⅛	11.24
CNT 7 3/8 93 Ecu	250	91⅝	92⅞		11.16
CREDIT LYONNAIS 9 96 Ecu	125	91⅞	93	−⅛	11.02
DENMARK 7 5/8 96 Ecu	250	87⅛	87⅝	+⅛	10.80
EEC 7 5/8 94 Ecu	200	91⅛	91⅞		10.80
EIB 10 97 Ecu	1125	97	97⅛		10.66
ITALY 10 3/4 00 Ecu	1000	100⅛	100⅜	+⅛	10.71
SWEDEN 7 1/2 93 Ecu	250	91⅝	92⅛	+⅛	10.78
BMW FINANCE 14 1/2 92 AS	100	100⅞	101½	+⅛	13.67
COUNCIL EUROPE 13 93 AS	50	99⅛	99⅝	−⅛	13.28
EKSPORTFINANS 12 3/8 95 AS	75	98⅝	98⅞	+⅛	12.89
FORD CRED AUST 13 95 AS	50	97⅛	98⅛	+⅛	14.04
ICI 15 1/2 92 AS	100	101⅝	102⅛		14.09
MCDONALDS CANADA 15 95 AS	100	102⅞	103⅜	+⅛	14.11
NAT AUSTRALIA BANK 14 3/4 94 AS	150	102⅛	102⅝	+⅛	13.88
STATE BK NSW 14 1/4 99 AS	100	99⅝	100		14.35
VOLKSWAGEN INTL 15 94 AS	100	102⅞	103⅜		13.85
ABBEY NATL TREAS 13 3/8 95 £	100	100	100⅜	+⅛	13.31
BARCLAYS JERSEY 9 1/2 93 £	250	91⅞	92⅜		13.44
BRITISH GAS 12 3/4 95 £	150	99⅛	100⅛	+⅛	12.77
DEUTSCHE BK FIN 11 94 £	225	94⅝	95	+⅛	13.05
EIB 10 97 £	300	87⅝	88	+⅛	12.95
FORD CREDIT FUNDING 9 5/8 93 £	50	91⅛	91⅝		13.94
INTER AMER DEV 11 3/8 95 £	75	95⅛	95⅝		12.74
ITALY 10 1/2 14 £	400	84⅞	85⅛		12.50
LAND SECS 9 1/2 07 £	200	72⅛	72⅝	−⅛	13.77
LEEDS PERMANENT 9 1/4 93 £	50	90⅛	90⅝		13.75
NORWAY 10 1/2 94 £	200	93⅛	93⅝	+⅛	12.99
ROLLS-ROYCE 9 5/8 93 £	150	90⅞	91⅛		13.78
SAINSBURY 10 7/8 93 £	100	94⅛	95		13.79
SKANDINAVISKA ENSK 13 1/8 95 £	100	99	99⅛		13.38
WORLD BANK 11 1/4 95 £	100	95⅛	95⅝	+⅛	12.66
ABBEY NATIONAL 0 96 NZ$	100	45⅛	46⅛	+⅛	14.11
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	100	101		13.11
AIDC 7 7/8 93 FFr	600	92⅛	92⅝	+⅛	11.05
CREDIT LYONNAIS 10 95 FFr	2000	96⅛	96⅝	+⅛	11.04
EURATOM 7 5/8 98 FFr	500	82⅛	82⅝	+⅛	11.15

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.95	100.04	15.0000
ALBERTA PROVINCE 1/32 93	500	99.95	100.05	8.4063
ALLIANCE & LEICS 0.08 94 £	*300*	*99.89*	*99.94*	*15.0000*
BANCO ROMA 0.03 01	200	93.42	94.38	8.4675
BANCO SANTO SPIRITO 93	200	99.46	99.56	8.4375
BELGIUM 1/16 97 DM	500	99.96	100.06	8.8125
BFCE −0.02 96	350	99.69	99.79	8.4175
BNP 05	300	98.01	98.24	8.0000
BRITANNIA 1/10 96 £	150	99.90	99.95	15.1800
CITICORP 1/4 98	500	87.50	90.50	8.3125
CITIZENS FED 0.15 96	100	99.25	99.84	8.2125
COMMERZBK O/S FIN 93	200	99.44	99.54	7.9375
DENMARK −1/8 96	1000	98.90	99.00	8.0000
FERRO DEL STAT 94	200	100.05	100.15	8.2500
HALIFAX 1/10 94 £	200	100.02	100.06	15.1000
MITSUI FIN ASIA 1/8 96	100	99.92	100.02	8.1875
MORGAN (JP) 1/4 97	250	98.53	99.31	8.5000
NAT WEST FIN 3/16 05	400	95.19	95.94	8.8125
NEW ZEALAND 93	500	99.41	99.51	8.0625
NORTHEAST SAVINGS 1/10 96	150	99.45	100.00	8.1625
PORTUGAL 0.05 93	700	99.89	99.99	8.4875
QUEBEC PROV 01	300	97.29	97.39	8.5000
RENFE 98	500	99.57	99.67	8.5000
SOCIETE GENERALE 96	300	98.82	98.92	8.0000
UNITED KINGDOM −1/8 96	4000	99.73	99.76	8.2500
WELLS FARGO 1/16 94	150	97.00	98.00	8.1875

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	102⅛	103⅛	+26.58
ASDA-MFI 4 3/4 02 £	100	1.64	106	107	+52.49
BURTON GROUP 4 3/4 01 £	110	3.15	103⅛	105⅛	
EASTMAN KODAK 6 3/8 01	300	50.67	92⅞	93⅞	+22.23
GOLD KALGOORLIE 7 1/2 00	65	1.0554	82⅛	83⅛	+9.20
GOODYEAR TIRE 6 7/8 03	150	80⅛	58⅛	59⅛	
GRACE (WR) 6 1/4 02	150	42⅛	66⅛	67⅛	+32.64
GRAND MET 6 1/4 02 £	100	6.58	84	85	+3.89
HAWLEY 6 02 PREF	400	1.92	102⅛	103⅛	+25.81
HILLSDOWN 4 1/2 02 £	150	4.16	99⅛	100⅛	+70.61
INTL PAPER 5 3/4 02	200	68⅛	80	81	+25.98
LAND SECS 6 3/4 02 £	84	6.72	76⅛	77⅛	+12.61
MITSUBISHI BK 1 3/4 02	300	2727.1	99⅛	61⅛	−1.70
OGDEN 6 02	85	39.077	65⅛	66⅛	+47.81
PACIFIC DUNLOP 6 3/4 97	75	9.749	100⅛	101⅛	+0.41
TEXAS INSTRUMENTS 2 3/4 02	300	82⅛	76⅛	77⅛	
THORN EMI 5 3/4 04 £	103	7.45	99⅛	100⅛	+26.44

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Swaps uncertainty leads to dearth of new issues

By Simon London

A LACK of opportunity in the interest rate swaps market combined with the continuing uncertainty over the Gulf crisis to kill new issue activity in the Eurobond market yesterday.

Market operators said that the lack of arbitrage opportunities in the swaps market derived from a widespread view that interest rates are artificially high.

At these levels, few institutions are willing to swap floating-rate borrowings for fixed-rate. One syndicate official commented that the best post-swap borrowing terms available for a triple-A rated borrower in any currency was 20 basis points below the London inter-bank offered rate.

In the secondary market, Japanese equity warrants staged something of a recovery following a rout over the last two weeks. Investors reacted with relative equanimity to the fall of the Nikkei stock market index to below 20,000 for the first time since February 1987. The Nikkei rallied in late trading to close down 761.64 on the day at 20,221.86, leading some institutions to buy into the warrants market in the belief that a temporary floor in equities has been reached.

However, Morgan Stanley's equity warrant index, rebased in January this year at 100, now stands at just 20.58. Moreover, warrants with a shorter maturity have significantly under-performed the average, the first time that "time-value awareness" has been exhibited in the market, according to some analysts.

INTERNATIONAL BONDS

Analysts also expect the secondary market increasingly to favour larger issues, which are included in the new "brokers' broker" scheme, introduced by the Japanese government to improve price transparency. Under the scheme, market-makers have to place their orders through a central computer system, where they are matched and executed. As a result, bid and offer prices can be displayed in the same way as in the equity markets, but only issues with over $150m outstanding are included.

As a result, larger, more transparent and longer-dated equity warrant issues could be the focus of any tentative recovery – if the underlying equity market remains firm.

- British Aerospace yesterday announced an open offer to buy in the whole of a £25m domestic preference share issue from Arlington Securities, its property development subsidiary.

Under the tender offer, which is open until the end of this week, British Aerospace is offering to buy-in 9¼ per cent preference shares due 2008 through Barclays de Zoete Wedd at par. Before the offer was announced the preference shares were trading at 90 on a yield of 14.85 per cent.

BZW said that it had purchased 12m of the 25m preference shares by the close of trading.

OSC sets up new system on insider reports

By Robert Gibbens in Montreal

THE ONTARIO Securities Commission, the leading provincial securities watchdog, wants to place the onus of filing accurate insider trading reports fully with the individual.

Mr Robert Wright, chairman, said an honour system with random spot checks would replace the present monitoring of insider reports. The OSC would concentrate resources on finding and penalising those who violated the rules.

Insiders, including directors, must now file insider trading reports within 10 days of the months in which the transactions took place. The number of shares bought, the price and the insider's net holding is then published in the OSC's Weekly Bulletin.

Under the new system, a violation found by spot checking could lead to prosecution.

Swedish regulator blocks banking partnership

By John Burton in Stockholm

SWEDEN'S Bank Inspection Board recommended yesterday that a controversial banking partnership between the state-run Post Office and the national savings bank federation be blocked.

Nordbanken, Sweden's third *largest commercial bank* group, has been fighting the proposed joint venture since it was announced in August. Nordbanken, which is 70 per cent state-controlled, feared a large part of its consumer business would disappear if the Post Office, with which it has been co-operating since 1974, also forged a partnership with the savings banks.

The Post Office, through its 2,100 branches, handles retail banking services exclusively for Nordbanken, with SKr40bn of the bank's private customer deposits of SKr65bn being processed through the post office network. These deposits largely consist of wages paid to government employees.

Under the proposed agreement the Post Office and the saving banks would have offered each other's consumer banking services to rationalise their *operations*

But Nordbanken objected to *the move since it believed it* would funnel business to a new retail bank jointly owned by the Post Office and the savings banks.

The Bank Inspection Board, which was ordered by the government last month to solve the dispute, proposes instead that the Post Office handle deposits and withdrawals for all the country's banks in return for which it would receive fees from them.

Nordbanken said yesterday *it would agree to the compromise* although it would mean the loss of Nordbanken's exclusive rights to the banking services provided by the Post Office.

Australia performs well after Iraq invasion

By Tracy Corrigan

AUSTRALIA has been the best performing bond market since Iraq's invasion of Kuwait, benefiting from its status as a net oil exporter. In US dollar terms, the market has returned 6.16 per cent since August 1.

The three highest-yielding markets, Italy, Spain and Australia, proved the best performers for the third quarter of 1990 in local currency terms, according to J.P. Morgan's government bond index monitor. In fact, they are the only markets with positive returns in local currency terms since Iraq's invasion of Kuwait. The results for Spain and Italy are partly because those markets have very short maturities as well as high yields. Since the start of the year, Italy and Spain have both returned more than 20 per cent in dollar terms.

Canadian, French and Japanese bonds were all badly hit, in terms of local currency returns. From a US dollar perspective, the exceptional *performance of the yen offset* bond losses, making Japan the best performing market for the first time since October 1988, according to J.P. Morgan. Overall, the third quarter was most successful for investors holding unhedged foreign bonds, with non-US bonds outperforming US Treasuries by 4.76 percentage points.

Swiss bank status for unit

ROTHSCHILD Boersenhandel has gained Swiss bank status by decree of the Swiss Banking Commission, Reuter reports from Zurich.

The unit was set up jointly by Banque Privee Edmond de Rothschild of Geneva, Rothschild Bank of Zurich and Banca Privata Edmond de Rothschild of Lugano. Its main business will be to advise institutional customers. It will also offer portfolio management and financial market services.

It plans to deal in securities on the Zurich bourse.

Share slide hits convertible issues

By Michiyo Nakamoto in Tokyo

THE continuing slide of the Tokyo stock market, which has taken share prices down by around 50 per cent from their peak last year, has dealt another serious blow to Japanese corporations' prospects of raising funds through equity-linked issues.

Officials at Mazda, the carmaker, having watched the Nikkei average nosedive below 21,000, have cancelled a Y100bn convertible bond issue planned to fund capital investments at home and abroad. "We decided that with the market in its present condition, we could not go ahead with our issue without causing investors considerable damage," said a Mazda official.

The sharp fall of stock prices earlier this year had already severely restricted the ability of Japanese corporations to raise funds on the market. In March, the leading securities firms, alarmed by the market's decline, had imposed a temporary moratorium on new issues.

Although the new issue market was reopened in late July, a limit was placed on the amount each company could issue and straight bond issues were more or less banned.

In the first half of fiscal 1990, from April through September, Japanese corporations will have raised just over Y2,370bn through equity-linked issues at home and abroad, according to industry estimates.

This compares with Y11,500bn in the first half of fiscal 1989 and a total of Y28,000bn in the whole of fiscal 1989.

The continuing weakness of the Tokyo stock market could prompt other Japanese corporations to reconsider their financing plans this year.

The underwriting securities houses will, in any case, be even more cautious about allowing further supply on to the market.

The leading securities houses are not expected to close down the new issues market for a second time. "New issues will be taken on a case-by-case basis," an official at a leading securities house said.

Nevertheless, conditions will be even more difficult for corporations still eager to raise funds on the market.

"We are in it for the business too," said Mr Masao Suzuki, manager of the Capital Markets Department at Yamaichi Securities. "We are faced with a market that investors have been fleeing, and we will have to be selective and to keep the launch of new issues apart. Some may have to be postponed," he pointed out.

Corporations will have to be prepared to pay a higher cost for funds by raising the coupon or coming up with more attractive terms for investors. The coupon on yen-based convertible bonds has already gone up from around 2 to 3 per cent in the spring to about 5 per cent.

One incentive which has already been used by a number of corporations is a pledge to revise the exercise price on warrant bonds downwards if the market price falls below it. Yamaichi Securities has already underwritten two dollar warrant bonds and four on the Euromarkets which include a pledge to reduce the exercise price up to 75 per cent if the market price falls.

BPB syndication oversubscribed

By Deborah Hargreaves

N.M. ROTHSCHILD has shown that syndicated loan facilities can still go well in spite of the recent adverse market conditions. The bank has completed the syndication of a £225m five-*year multicurrency credit for* BPB Industries, the building materials supply group, which was oversubscribed.

The facility, which is due to be signed on October 10, was increased from £175m to £225m after £230m was subscribed in addition to the underwriters' final allocations.

The facility is available for drawing of multi-currency cash advances and sterling bills for a one-year period. It carries a margin of 40 basis points in the first three years and 45 basis points after that. The balances not utilised will carry a commitment commission of 17.5 basis points.

The company plans to use the facility to finance recent acquisitions in France and Spain.

- Abbey National Treasury Services announced a $1.5bn Euro medium-term note programme arranged by Lehman Brothers. The programme is structured to meet the needs to allow issuance in most currencies and the notes can be either fixed- or floating-rate, zero coupon or index-linked.
- Mitsubishi Bank has announced that it closed syndication of a $100m term-loan facility for Hellenic Aspropyrgos Refinery after raising $95.5m in the market.
- National Westminster Bank has arranged a £87.55m senior debt facility of which £55.9m has been committed, to refinance the October 1989 management buy-in of James Neill Holdings by Markoffer. The facility provides for repayment of short-term bridging finance and other existing debt in addition to £19.6m of fund investment. It also provides £35m to finance a programme of acquisitions in Europe.

Japan acts on US credit card debt

JAPAN'S Finance Ministry has given nine foreign and two domestic securities houses permission to securitise and sell US credit card debt, Reuter reports from Tokyo.

The brokerages will initially securitise and sell credit card debt owned by Citicorp in the US. The ministry's move is part of a programme aimed at deregulating Japan's financial markets.

The first issue is likely to be sold this month. It will total $1.2bn to $1.3bn and will be divided into smaller units with maturities of three to seven *years. Yields are likely to be 60* to 70 basis points above that of US Treasuries, a broker said.

Brokers allowed to sell the instruments include Citicorp Scrimgeour Vickers, Salomon Brothers Asia, UBS Phillips and Drew International, S.G. Warburg Securities, Nomura Securities and Daiwa Securities, the finance ministry said.

- Daiwa Securities is to open a representative office in Vienna on Thursday. The operation will bring the number of *Daiwa's European offices to 14.*
- Dutch brokerage firm Amsterdam Options Traders is to acquire money broker Troost, Herkenrath & Ten Kate from October 1.

Derivatives arm opens in London

By Deborah Hargreaves

MANUFACTURERS Hanover, the US bank, is setting up a European branch of its futures and options operation in London. It will focus on interest rate, foreign currency and equity index futures and options. Manufacturers Hanover Futures & Options is a clearing member of the London International Financial Futures Exchange and the Chicago Board of Trade and the Chicago Mercantile Exchange.

Swiss Bank Corp invests in E Europe finance firm

By David Lascelles, Banking Editor

SWISS Bank Corporation is extending its interest in east Europe with a 33 per cent stake in East European Development, a UK corporate finance firm which specialises *in arranging joint* ventures in Hungary and Czechoslovakia.

EED, formed nearly two years ago, has offices in Prague, Bratislava and Budapest.

The investment follows SBC's recent purchase of a stake in the Polish Investment Company, a similar firm specialising in that country.

SBC says the latest deal will *give it access to business* opportunities in eastern Europe for its clients.

It also expects to assist in arranging finance for deals.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Monday October 1 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Fri Sep 28 Index No.	Thu Sep 27 Index No.	Wed Sep 26 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (195)	690.10	+2.2	16.25	6.88	7.53	29.40	675.36	678.45	673.98	957.59
2	Building Materials (26)	884.68	+2.4	16.66	6.89	7.39	34.59	864.16	867.49	850.66	1159.09
3	Contracting, Construction (34)	1038.21	+2.0	20.43	7.68	6.40	50.99	1018.06	1022.64	1011.75	1560.16
4	Electricals (10)	1903.33	+2.5	14.77	7.01	8.28	73.06	1857.04	1850.95	1813.26	2798.32
5	Electronics (26)	1542.28	+2.1	10.89	5.55	12.55	56.74	1510.77	1512.18	1507.71	2104.54
6	Engineering-Aerospace (8)	419.09	+2.7	16.06	5.75	7.48	15.17	408.06	409.50	410.10	0.00
7	Engineering-General (47)	366.70	+1.4	16.35	7.08	7.35	15.76	361.71	362.64	363.60	0.00
8	Metals and Metal Forming (8)	390.74	+1.7	29.17	8.55	4.17	17.02	384.16	385.55	388.81	499.45
9	Motors (13)	276.28	+3.2	18.49	8.59	6.29	14.26	267.73	269.75	268.49	371.07
10	Other Industrial Materials (23)	1171.08	+2.2	14.70	6.98	7.86	56.53	1146.00	1157.59	1150.28	1746.48
21	CONSUMER GROUP (176)●	1141.35	+1.6	10.85	4.52	11.39	29.31	1123.61	1137.67	1132.79	1314.04
22	Brewers and Distillers (22)	1394.45	+1.2	11.22	4.23	10.79	33.47	1378.48	1391.81	1385.19	1455.71
25	Food Manufacturing (18)	985.43	+1.2	11.79	4.95	10.46	24.61	973.49	983.50	973.38	1154.68
26	Food Retailing (17)	2265.91	+1.3	10.52	3.68	12.10	50.82	2237.03	2249.22	2243.22	2497.00
27	Health and Household (16)	2350.81	+2.5	7.56	3.16	15.70	47.38	2292.65	2336.14	2326.73	2501.40
29	Leisure (32)	1134.32	+1.2	13.21	5.55	9.16	36.79	1120.48	1133.59	1124.53	1722.78
31	Packaging & Paper (12)	474.60	+0.8	13.56	7.33	9.06	22.54	470.91	475.54	478.92	589.45
32	Publishing & Printing (14)	2795.71	+1.1	12.84	6.69	9.75	118.55	2764.16	2835.25	2862.53	3690.30
34	Stores (33)●	737.69	+1.7	12.00	5.05	10.84	18.26	725.01	732.81	730.05	838.08
35	Textiles (12)	398.31	+0.8	15.15	8.91	8.35	19.76	395.22	397.66	393.21	566.26
40	OTHER GROUPS (108)	956.55	+2.1	13.21	6.16	9.17	31.51	937.04	944.60	936.98	1175.26
41	Agencies (16)	1111.65	+3.8	9.70	3.56	12.53	22.00	1070.84	1073.98	1054.29	1543.57
42	Chemicals (24)	973.65	+1.9	13.64	6.84	8.66	46.23	955.26	964.89	958.00	1280.31
43	Conglomerates (16)	1264.67	+2.4	13.35	7.89	9.01	35.71	1234.77	1262.40	1268.27	1647.30
44	Transport (14)	1761.60	+1.2	13.74	5.95	9.22	65.20	1740.24	1759.39	1763.71	2345.46
46	Telephone Networks (3)	1061.32	+2.1	12.33	5.15	10.56	26.09	1039.44	1039.39	1017.41	1147.87
47	Water (10)	1943.32	+0.4	15.87	6.97	7.08	68.12	1936.20	1954.94	1949.91	0.00
48	Miscellaneous (25)	1497.86	+2.5	13.99	6.01	8.21	61.39	1461.36	1465.34	1452.52	1926.58
49	INDUSTRIAL GROUP (479)●	976.11	+1.9	12.77	5.55	9.58	30.96	958.21	967.21	961.45	1199.55
51	Oil & Gas (21)	2330.64	+0.7	10.69	5.36	12.24	84.75	2314.52	2322.49	2348.62	2169.73
59	500 SHARE INDEX (500)●	1086.44	+1.7	12.44	5.52	9.93	35.28	1068.52	1077.52	1074.11	1281.85
61	FINANCIAL GROUP (103)	644.77	+2.3	–	7.35	–	31.27	630.28	637.31	631.46	794.59
62	Banks (9)	676.74	+2.8	24.15	8.49	5.42	41.50	658.02	663.67	657.43	795.58
65	Insurance (Life) (7)	1268.66	+1.6	–	6.04	–	54.97	1248.26	1263.16	1251.93	1243.53
66	Insurance (Composite) (6)	556.50	+3.5	–	7.63	–	27.35	537.62	543.25	538.09	653.41
67	Insurance (Brokers) (8)	774.04	+0.3	11.57	8.35	11.29	40.46	772.09	789.00	782.38	1016.33
68	Merchant Banks (7)	325.46	+0.4	–	6.29	–	12.31	324.23	326.34	324.35	402.22
69	Property (45)	864.62	+1.9	8.75	5.62	15.09	24.52	848.36	862.41	852.63	1311.96
70	Other Financial (21)	233.78	–0.2	12.03	7.45	10.79	10.30	234.14	236.21	235.59	356.06
71	Investment Trusts (66)	971.12	+1.8	–	4.07	–	24.36	954.21	969.29	968.25	1251.89
91	Overseas Traders (5)	1121.60	+0.6	12.82	8.22	9.28	59.65	1115.30	1135.36	1109.29	1389.67
99	ALL-SHARE INDEX (674)●	979.09	+1.8	–	5.75	–	33.89	962.18	970.90	966.97	1163.75
		Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 28	Sep 27	Sep 26	Sep 25	Sep 24	Year ago
	FT-SE 100 SHARE INDEX‡	2030.8	+40.6	2033.4	2006.3	1990.2	2009.1	2000.0	1999.2	1990.3	2289.2

FIXED INTEREST

	PRICE INDICES	Mon Oct 1	Day's change %	Fri Sep 28	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	116.08	+0.15	116.13	0.23	9.71
2	5-15 years	120.48	+0.41	119.98	–	10.23
3	Over 15 years	121.23	+0.61	120.50	–	9.84
4	Irredeemables	139.49	+0.38	138.97	–	8.85
5	All stocks	120.91	+0.34	120.58	0.08	10.12
	Index-Linked					
6	Up to 5 years	152.77	+0.16	152.52	–	2.46
7	Over 5 years	137.86	+0.07	137.77	–	3.12
8	All stocks	138.87	+0.07	138.77	–	3.06
9	Debentures & Loans	99.37	....	99.37	–	8.93
10	Preference	72.34	–0.04	72.37	–	5.23

	AVERAGE GROSS REDEMPTION YIELDS		Mon Oct 1	Fri Sep 28	Year ago (approx.)
	British Government				
1	Low	5 years	11.05	11.12	10.21
2	Coupons	15 years	11.05	11.12	9.60
3		25 years	11.05	11.12	9.46
4	Medium	5 years	12.12	12.18	11.12
5	Coupons	15 years	11.55	11.62	9.97
6		25 years	11.26	11.33	9.57
7	High	5 years	12.20	12.27	11.24
8	Coupons	15 years	11.83	11.90	10.17
9		25 years	11.59	11.66	9.71
10	Irredeemables	†	11.18	11.22	9.53
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.41	4.48	3.52
12	Inflation rate 5%	Over 5 yrs.	4.35	4.35	3.62
13	Inflation rate 10%	Up to 5 yrs.	3.23	3.28	2.70
14	Inflation rate 10%	Over 5 yrs.	4.17	4.17	3.45
15	Debs &	5 years	14.28	14.26	13.00
16	Loans	15 years	13.06	13.05	12.17
17		25 years	12.70	12.71	11.57
18	Preference	†	13.07	13.06	10.35

‡Opening index 2006.3; 9 am 2015.5; 10 am 2018.3; 11 am 2029.2; Noon 2027.9; 1 pm 2032.8; 2 pm 2029.3; 3 pm 2027.6; 4 pm 2023.3; 4.10 pm 2025.3; (a) 12.30pm (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p. ● CORRECTED FIGURES (27/9/90): Consumer Group 1137.67, Stores 732.81, Industrial Group 967.21, 500 Share Index 1077.52 and All Share Index 970.90. CONSTITUENT CHANGES (26/9/90): Deletion: Fitch Lovell (25). Addition: The Manchester Ship Canal Co. (44). (1/10/90) Deletion: Parkway (32). Addition: Cook (William) (8). (PLEASE NOTE: A complete list of quarterly constituent changes was published in 28/9/90 edition (page 24).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	81	0	12
Corporations, Dominion and Foreign Bonds	5	0	16
Industrials	446	197	918
Financial and Properties	217	105	418
Oils	21	31	38
Plantations	1	0	9
Mines	12	70	74
Others	57	58	107
Totals	840	461	1,592

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
–	F.P.	–	131	90	ABI Leisure 10p	90	–6	R4.7	3.3	7.0	5.9
180	F.P.	–	198	170	Faber Prest	175		9.1	3.7	6.9	5.2
2	F.P.	–	4	3	Finlan Group 1p	3½		–	–	–	–
†	F.P.	–	75	43	Golden Vale Ir1p	44		u0158%	5.1	3.4	8.0
–	F.P.	–	24	19	JF Fledgeling Jap. Wts1c	20		–	–	–	–
100	F.P.	–	98	76	Jupiter Euro Inv Trust	76	–1	–	–	–	–
–	F.P.	–	38	21	Do. Warrants	23	+2	–	–	–	–
§100	F.P.	–	116	101	‡Levercrest 5p	101	–1	R4.05	2.4	5.3	8.1
–	F.P.	–	22	20	‡MMI 1p	22		‡1.0	2.4	6.1	8.5
†	F.P.	–	17	11	‡Paramount 2½p	11		–	–	–	–
‡	F.P.	–	53	41	‡Pelican 20p	41		–	–	–	–
100	F.P.	–	90	83	River & Merc Smaller Co	84		K3.75	–	6.0	–
–	F.P.	–	26	18	Do. Warrants	20		–	–	–	–
130	F.P.	–	156	136	Seton Healthcare 10p	139		L3.75	2.2	3.6	12.4
§100	F.P.	–	102	90	Siam Select. Growth Tst.	91	+1	–	–	–	–
–	F.P.	–	38	28	Do. Warrants	30		–	–	–	–
100	F.P.	–	102	93	TR European Growth Tst	94		K1.0	–	1.4	–
40	F.P.	–	43	38	Do. Ptg. Sub. 1p	43	+4	F1.0	–	3.1	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
100	F.P.	-	101	75	‡Bluebird Toys 12pc Cv. Uns. Ln. 2005	75	
100p	F.P.	28/9	102p	93p	Perkins Foods 8p (Net) Cv Rd Pf	93p	
‡	F.P.	-	90p	75p	Rank Org. 8.25p (Net) Cv Cm Rd Pf 20p	81p	+1
100p	F.P.	-	112p	106p	Reckitt & Colman 9.5pc Cv Bds 2005	109½p	½
100	F.P.	-	107⅝	101¼	Tesco Capital 9pc Cnv. Cap. Bd. 2005	103	–¼
100p	Nil	-	¼pm	¼pm	Wace Grp. new 8pc Cnv. Pf. £1	¼pm	
100p	F.P.	-	105p	50p	Wyndham Group 9.375pc Cm.Pf	50p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
27	Nil	–	2pm	¼pm	‡BTS 10p	¼pm	
29	Nil	–	½pm	¼pm	‡G.C.F. Group 10p	¼pm	
190	Nil	–	18pm	4pm	Great Western Resources	4pm	
50	Nil	–	2¼pm	1¼pm	Kynoch (G & G)	1¼pm	
220	55	23/7	86	33	Ratners	40	+2
5	Nil	–	3pm	¼pm	‡Spectrum 5p	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. § Offered to holders of ordinary shares as a "rights". † Introduction. ‡ Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market. ¢ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings Oct. 1
- Last Dealings Oct. 12
- Last Declarations Jan. 10
- For settlement Jan. 21

For rate indications see end of *London Share Service*

Calls in Amstrad, Control Secs., Ferranti Intl., Tuskar Res. and Premier Cons. Puts and calls in Burton, Granada and Maxwell Comms.

LONDON TRADED OPTIONS

THE UK EQUITY futures market rallied strongly yesterday as hopes of reduced US interest rates encouraged active institutional buying. Dealing in traded options was subdued, reflecting lower turnover on the stockmarket.

The December FT-SE 100 index closed 54 points higher at 2073 as 7,765 contracts changed hands. December's premium to the cash index finished at 48 points, compared with 35 at the close of the previous session.

The futures market opened firmly, driven by New York's gains and hopes that the US budget deal agreed by President George Bush and congressional leaders would pave the way for a cut in interest rates.

The December contract moved to a 45-point premium over the cash FT-SE index and pulled the stockmarket higher as arbitrageurs sold futures contracts and bought stock. The inactivity of the stockmarket was another factor behind institutions' interest in the derivative markets.

The large institutions were strong buyers of futures, hoping that the December contract would move back above the fair value premium of 55 points. Fair value is an estimation of the futures market's premium over the cash and is based on future dividend payments and the cost of finance.

The traded options market, by contrast, was thinly traded. At 30,946 contracts, turnover was down by a half. Business was evenly divided between calls and puts.

Some investors used FT-SE index options to hedge their futures investments. Activity in the FT-SE index accounted for 40 per cent of total options business. Normally, it is about 25 per cent.

Stock options were quiet. British Petroleum was the most active as the oil price weakened. A total of 2,765 lots were traded. The January 360 calls were the most popular. STC was lifted by out-of-the-money call buying and 1,463 were traded.

Option		CALLS Oct	Jan	Apr	PUTS Oct	Jan	Apr
Allid Lyons (*433)	420	21	38	57	5½	16	21
	460	3½	18	33	30	36	39
	500	1½	8	19	69	70	71
ASDA (*116)	100	17	22	–	1	3½	–
	110	8	15	19	3	6½	8
	120	3	10	13	7½	10	14
Brit. Airways (*147)	140	10	15	19	4½	8	11
	160	2½	8	12	17	19	21
	180	1	3	6	35	38	39
SmKl Beecham A (*534)	500	40	65	78	5	15	20
	550	9	32	50	23	36	43
	600	2	15	30	67	71	75
Boots (*295)	280	19	29	40	4	12	15
	300	6	19	30	12	20	23
	330	2	8	17	37	37	39
B.P. (*346)	300	49	57	65	1½	4	6
	330	21	35	45	3½	10	13
	360	5½	18	28	16	23	25
British Steel (*118)	110	10	12½	17	2	4½	5½
	120	3	7	12	5	10	10½
	130	½	3½	6½	14	17	17
Bass (*929)	900	47	75	105	11	37	45
	950	17	50	77	35	57	67
	1000	6	30	55	75	92	94
C & Wire (*412)	390	28	48	64	5	15	19
	420	8½	31	46	17	28	32
	460	3	16	29	52	55	57
Courtaulds (*293)	280	18	31	42	4	12	14
	297	7	–	–	11	–	–
	300	–	21	30	–	21	23
Com. Union (*425)	390	40	58	65	5	10	16
	420	14	34	45	12	21	24
	460	4	17	23	38	39	50
GKN (*313)	300	20	35	40	5	12	19
	330	3½	17	22	21	25	30
	360	1	8	11	50	52	55
Grand Met. (*541)	500	47	74	81	5	12	20
	550	10	42	52	18	28	38
	600	2	20	31	60	61	68
I.C.I. (*826)	800	38	80	95	10	26	45
	850	13	50	67	33	47	70
	900	3	30	45	80	80	100
Kingfisher (*333)	300	35	47	64	2	9	11
	330	12	25	44	10	17	21
	360	2	16	28	30	34	36
Ladbroke (*240)	240	10	22	32	7	15	20
	260	4	12	22	22	29	32
	280	2	7	14	41	45	49
Land Secur (*471)	460	20	41	57	7	18	25
	500	3	20	37	33	41	46
	550	1	8	19	82	82	82
M & S (*219)	200	22	31	38	1½	5½	7
	220	7	17	26	6	13	14
	240	1	9	16	23	26	27
STC (*251)	240	17	32	36	7	12	15
	260	7	21	25	15	19	24
	280	3	13	16	31	31	35
Sainsbury (*295)	280	18	31	42	3½	9	11
	300	7	20	30	10	17	20
	330	1	9	17	38	40	40
Shell Trans. (*454)	420	40	60	65	3	8	13
	460	10	35	43	14	21	27
	500	2½	17	23	48	48	50
Storehouse (*119)	110	13	17	22	2½	5	17
	120	5	11	16	6	9	11
	130	2½	7	12	13	16	17

Option		CALLS Oct	Jan	Apr	PUTS Oct	Jan	Apr
Trafalgar (*200)	180	25	33	37	3½	12	16
	200	9	18	25	9	20	25
	220	2½	9	16	25	30	35
Utd. Biscuits (*310)	300	13	29	34	7	13	17
	330	2½	13	20	28	32	36
	360	1	5	11	60	60	62
Unilever (*618)	600	28	55	74	9	26	32
	650	4½	30	45	40	52	57
	700	2	14	27	90	90	90
Ultramar (*339)	300	45	58	67	2	5	9
	330	18	37	47	6	15	20
	360	5	20	32	26	30	35
Option		Nov	Feb	May	Nov	Feb	May
Brit Aero (*564)	500	75	100	110	6	12	18
	550	35	65	72	18	25	37
	600	13	37	47	47	50	53
BAA (*368)	360	25	37	52	12	23	24
	390	10	25	35	28	37	40
BAT Inds (*555)	550	27	55	65	17	30	34
	578	13	–	–	35	–	–
BTR (*327)	300	36	51	55	4½	8	12
	330	13	28	35	14	18	24
Brit. Telecom (*267)	260	17	25	35	6½	12	13
	280	6½	15½	24½	16	21½	22½
Cadbury Sch (*310)	300	22	38	42	8	13	17
	330	8	21	28	23	27	31
Guinness (*676)	650	48	80	95	11	21	27
	700	20	50	65	34	43	48
GEC (*185)	180	12½	19½	27	5	9	11
	200	4	9½	16	17	18½	21
Hanson (*187)	180	14	17	22	3¼	9½	11¼
	200	4	8½	14	15	22	22½
LASMO (*453)	433	37	–	–	10	–	–
	460	23	45	57	20	28	32
P. & O. (*473)	460	32	53	62	12	19	26
	500	13	34	42	35	40	47
Pilkington (*148)	140	14	19	26	4½	9	12
	160	4	10	16	17	21	23
Polly Peck (*108Ø)	-						
	-	-	-	-	-	-	-
Prudential (*198)	180	23	31	34	3	4½	7
	200	8½	18	21	9	12½	16
Racal (*140)	140	10	17	23	8	12½	15
	160	3½	9	15	22	24	26
R.T.Z. (*403)	390	34	54	60	12	17	25
	420	17	37	43	27	30	39
Scot. & New (*329)	300	42	52	65	5	12	13
	330	22	35	47	15	22	25
Tesco (*223)	220	11	21	26	7	11	14
	240	4	10	15	21	24	25
Thames Water (*219)	210	16	22	–	4	9	–
	220	–	–	23	–	–	15
Water Hldg Pkg (*£2250)	2250	100	170	–	70	120	–
	2300	70	140	–	100	150	–
Option		Nov	Jan		Nov	Jan	
Ferranti (*18)	20	2½	3½	–	3½	4½	–
	25	1	2¼	–	7	10	–
Option		Nov	Feb	May	Nov	Feb	May
Lucas Inds (*119)	110	14	16	18	5	8	10
	120	6	11	13	13	14	15
Option		Oct	Dec	Mar	Oct	Dec	Mar
Reuters (*782)	750	52	90	120	17	39	60
	800	24	65	97	40	65	85

Option		CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
Abbey Nat. (*197)	180	23	–	–	4	–	–
	200	11	29	22	12	15	16
Amstrad (*50)	45	9	11½	13½	3	4	5
	50	6	9	11	5	6	7
Barclays (*320)	300	37	47	52	7	16	19
	330	20	32	35	20	30	33
Blue Circle (*197)	180	27	36	39	5	8	11
	200	15	24	26	12	16	20
British Gas (*211)	200	19	24	31	5	7½	10
	220	8	13	20	12	15½	18
Dixons (*120)	120	11	15	19	6	10	13
	130	6	9½	13	13	16	18
Glaxo (*751)	750	50	82	100	30	38	45
	800	26	55	–	57	63	–
Hawker Sidd. (*417)	390	45	60	65	17	23	30
	420	27	43	45	30	35	43
Hillsdown (*245)	240	19	29	35	11	14	18
	260	10	19	25	22	24	27
Lonrho (*207)	200	21	24	28	7	15	16
	218	12	–	–	16	–	–
Midland Bk (*197)	200	17	23	26	16	22	27
	220	7½	12	16	29	37	38
R. Royce (*177)	160	25	31	36	3	6	8
	180	12½	20	22	11	13	16
Sears (*83)	80	7½	11	13	5	6	7½
	90	3½	7	8	10	11½	12½
THF (*237)	220	23	33	38	5½	9½	14½
	240	11½	22	24	14	17	21
Thorn EMI (*589)	550	64	82	90	14	20	23
	600	31	50	69	32	36	39
TSB (*120)	110	17	21	23	2	4	5
	120	9	13	17	7	9	9
Vaal Reefs (*$71)	70	12	16	20	8	12	14
	80	9	12	15	14	18	20
Wellcome (*473)	460	40	62	78	24	30	36
	500	22	42	57	45	52	57

EURO FT-SE INDEX (*2025)

	1925	1975	2025	2075	2125	2175	2225	2275
CALLS								
Oct	141	103	70	46	30	17	10	5
Nov	167	131	100	77	53	37	25	–
Dec	190	–	125	–	75	–	40	–
Mar	235	–	170	–	115	–	80	–
Jun	265	–	195	–	140	–	100	–
Sep	278	–	245	–	166	–	140	–
PUTS								
Oct	25	37	56	82	111	150	192	237
Nov	37	51	69	94	122	154	190	–
Dec	43	–	78	–	125	–	190	–
Mar	75	–	120	–	168	–	225	–
Jun	80	–	120	–	165	–	200	–
Sep	77	–	93	–	137	–	180	–

FT-SE INDEX (*2025)

	1900	1950	2000	2050	2100	2150	2200	2250
CALLS								
Oct	165	123	86	57	38	23	14	8
Nov	188	152	118	88	66	47	33	25
Dec	215	178	145	115	88	68	50	36
Jan	232	197	160	135	110	88	68	55
Jun †	290	–	225	–	168	–	120	–
PUTS								
Oct	20	29	42	68	96	134	182	229
Nov	33	44	61	83	112	147	185	229
Dec	42	54	71	93	122	155	189	230
Jan	50	63	80	105	132	162	198	240
Jun †	68	–	100	–	145	–	210	–

Ø- Suspended
October 1 Total Contracts 30,946
Calls 15,680 Puts 15,266
FT-SE Index Calls 4,986 Puts 7,420
Euro FT-SE Calls 51 Puts 1,153
*Underlying security price. † Long dated expiry mths

Rosehaugh restructures and reduces commitments

By Vanessa Houlder, Property Correspondent

ROSEHAUGH, the hard-pressed property developer, yesterday announced the resignation of two of its subsidiaries' directors along with steps to restructure the group's management.

The moves are part of its strategy of streamlining its business and reducing its development commitments in an effort to stave off liquidity problems.

The group is now focusing its activities on three subsidiaries, covering its residential, commercial and retail activities, which will sit alongside its associated companies Rosehaugh Stanhope, the London Regeneration Consortium and Rosehaugh Greycoat.

"We have substantially simplified the management of the group and are reverting to our core businesses," said Mr Graham Johnson, a Rosehaugh director.

The two directors were leaving, because "the areas in which they were active were not areas in which we would make significant new investments", he said.

The company announced the resignation of Mr Ian Rowberry, a main board director and managing director of Rosehaugh Copartnership, which is involved in central London residential development, although he will act, for the time being, as a consultant. The Copartnership projects and all the other residential activities, will now be handled by another subsidiary, the Pelham group of companies.

Mr Ian Pearce, who headed the Shearwater retail development arm, has resigned his directorships in Shearwater Group companies although he also will act as a consultant.

Brokers' analysts had been anticipating a restructuring since Rosehaugh's £125m rights issue in February. A large part of the blame for Rosehaugh's cashflow problems had been levelled at the over-expansion of subsidiaries such as Shearwater.

As part of its efforts to reduce its commitments, Rosehaugh sold its Rosehaugh Heritage subsidiary to Kingfisher, the retailer, for £35m in cash last month.

Godfrey Bradman (chairman) — staving off liquidity problems

Maxwell to sell Canada mill shares to Mirror Newspapers

By Raymond Snoddy

MR ROBERT MAXWELL, the publisher, admitted yesterday that he was selling his 26 per cent stake in Donahue Newsprint Mills of Canada – *to himself.*

Maxwell Communication Corporation had suggested on Sunday that the newsprint stake would be sold in a $140m (£74m) deal, part of a disposal programme, to a British bank.

Yesterday, Mr Maxwell said the ultimate destination of the stake would be his private newspaper publishing vehicle Mirror Group Newspapers.

The decision will do little to boost substantially the MCC share price which has been under considerable pressure lately.

A further disposal, the sale of a 20 per cent stake in Quebecor Printing expected to raise about $100m, might also be to Mirror Group Newspapers. In this case MCC insists that an "in-house" is only one of the options and that there are claimed to be possible outside purchasers.

Announcements on the latest phase of Mr Maxwell's disposal programmes, designed to reduce debts of some £1.9bn – which were incurred when buying Macmillan, the US publisher, and three Official Airline Guides – were expected yesterday.

However, MCC said the announcements will be made today.

In addition to the sale of the Canadian newsprint and printing stakes, Mr Maxwell will announce the conditional sale of P F Collier, the US encyclopaedia company, to Langenscheid, the West Germany encyclopaedia and dictionary publisher, for a total of $97m.

News of a further disposal of a consumer publishing company in a deal worth $100m is expected later this week. The sale will be to a purchaser from outside the industry.

MCC shares rose 4p to 149½p yesterday.

Watts Blake ahead 4% with Europe offsetting UK fall

By Andrew Jack

RISING DEMAND in continental Europe allowed Watts Blake Bearne, the Devon-based ball and china clays producer, to offset disappointing UK sales and lift pre-tax profits by 4 per cent to £4.52m for the six months to June 30.

In spite of poor demand for china clay in the UK, the company said it would not be following the lead of its competitor ECC, which announced 750 redundancies last Friday.

"We have a policy of providing stability and security of employment," stated Mr John Pike, managing director.

Overall turnover rose 18 per cent to £28.9m (£24.54m). There was strong sales growth in West Germany, Italy and Spain, according to Mr Pike, and UK exports grew by 15 per cent to these markets.

US turnover almost doubled to £2.09m (£1.13m), following the first full interim results since the company bought United Clay, which owns clay deposits in Mississippi and Tennessee, for £4.5m in April 1989.

UK sales, however, fell by 7 per cent to £4.78m (£5.14m). The figures suffered from a slump in demand for ceramic tiles and sanitary ware, combined with growing market penetration from Europe and Brazil.

Falling demand from the paper and fertiliser industries generated disappointing results for the china clay division, according to Mr Henry Cottrell, the chairman.

Interest receivable fell to £71,000 (£182,000) as a result of the US acquisition.

Since the beginning of the year, Watts Blake Bearne has opened a small ceramic body preparation plant in Portugal, formed a UK joint venture for minerals separation, and extended its US operations.

Earnings per share were 14.9p (14p). The interim dividend is increased to 2.7p (2.6p).

● COMMENT

Nice company, shame about the share price. On full year pre-tax profits of £8.5m to £9m, the prospective multiple of 13 is well above the sector, mainly due to tightly-held shares which are rarely traded and shield Watts Blake Bearne from market influences. The company is shrewdly continuing to stress its overseas expansion of both production and sales into Europe, North America and the Far East – the UK now only accounts for 17 per cent of sales. While over-production from competitors in Spain and Italy has boosted their tile imports to Britain, these same countries have a growing demand for WBB's higher quality German and British clays. The company says it is looking for new acquisitions, and with estimated net year end debt of only £6m it will be keeping a keen eye on purchasable clay reserves in eastern Germany and Czechoslovakia.

Coats Viyella makes triple sale for £6.3m

By Alice Rawsthorn

Coats Viyella, the textile group which has been embroiled in on-off bid discussions with Tootal, yesterday announced the sale of three subsidiaries for £6.3m cash.

The three subsidiaries are Stevensons, a fabric dyer; Wrightwear Fabrics, which makes knitting fabrics; and JK Lace, a lace manufacturer. They have been sold to Risehaven, which is owned by the subsidiaries' managers and a group of external investors.

Sir David Alliance, chairman of Coats, said the disposals formed part of the group's ongoing strategy of shedding its peripheral interests.

Last week Coats announced the appointment of Mr Neville Bain from Cadbury Schweppes as its new chief executive.

The three companies sold employ about 200 people. They made profits (before tax and finance charges) of £1.4m on turnover of £14.5m last year.

The news of the latest Coats disposal came on the same day as the publication of Tootal's interim results. Coats still holds a 29.9 per cent stake in Tootal, another UK textile group.

Lex pays £9.2m for third Ford main dealership

By Jane Fuller

LEX SERVICE, the distributor of vehicles and electronic components, is buying a Ford car and Iveco Ford truck dealership in Poole, Dorset.

The £9.2m purchase of F English fits in with the group's policy of concentrating on larger dealerships.

Mr John Day, of Lex Retail Group which operates about 60 dealerships, said the acquisition would have little impact on group gearing, which was less than 50 per cent at the half-year stage.

Last year the English dealership made sales of £40m and a profit of just under £1m. The net assets are valued at £10.5m. Several small operations were moved on to one large site early this year.

The purchase does, however, come against a background of an 11 per cent fall in UK car sales so far this year and follows fears voiced at the British International Motor Show that truck sales could be nearly 30 per cent down on 1989.

Mr Day said the acquisition would become Lex's third Ford main dealership.

Lex's first-half results showed a 37 per cent fall in pre-tax profit to £23.2m on turnover of £957m (£1bn).

NEWS DIGEST

Reckitt sells Dutch arm for £28.7m

RECKITT & Colman, the household, pharmaceutical and food products group, has sold Conimex, its Netherlands-based oriental foods business, to CPC Benelux for Fl 95m (£28.7m) cash.

The disposal is part of the programme announced with the acquisition of Boyle-Midway and will be used to reduce Reckitt's indebtedness.

CPC makes food products principally under the Knorr brand-name.

PML Group goes into £608,000 loss

PML Group, a USM-quoted designer and maker of ladies shoes, knitwear and fashionwear, reported a loss of £608,000, against a £655,000 profit, for the six months to June 30.

Turnover was £16.84m (£14.44m), with the clothing sector making a £530,000 loss (£65,000) and the retail sector showing a profit of £490,000 (£1m).

Interest costs rose to £396,000 (£131,000) and tax took £130,000 (£205,000). Loss per share came to 8.5p (5.1p earnings).

The directors said a final dividend was unlikely.

The group said the yen decline and the lower spending power of Japanese tourists had affected business.

Strong order book as PCT rises to £0.55m

PCT Group, the USM-quoted power tools and lifting and welding equipment company, reported pre-tax profits of £553,239 for the half year to end-June.

The advance from last time's £504,873 came on turnover ahead sharply at £9.94m (£4.82m) and was struck after interest charges of £437,991 (£327,611).

The interim dividend is raised to 2.4p (2.2p), payable from earnings of 8.3p (7.8p) per 10p share.

Mezzanine Capital nav at $13.73

Net asset value of Mezzanine Capital Corporation fell from $13.73 to $13.07 per share or $457.6 ($508.2) per unit for the year. Net investment income declined from $8.01m to $1.88m (£994,000).

Capital gains, minus fees, fell to $718,787, against $8.61m, while recovery of invested capital realisation of investments totalled $1.09m ($3.36m).

Cash and short-term investments total $5.6m ($8.82m) and investments in companies $43.69m ($48.45m).

Newmark falls into the red

By Jane Fuller

LOUIS NEWMARK, the electronic and precision engineer and watch distributor, slumped to a pre-tax loss of £2.49m in the 12 months to March 31, compared with a profit of nearly £1m.

The group, which announced the news after the market closed, said that two subsidiaries, both makers of electronic components, made worse-than-expected losses.

Vernon Gauging Systems had suffered a shortage of orders and it had also been discovered that local management had sacrificed margins to attract business.

Consequent management changes and costs had been provided for in the accounts. Profitability had been restored.

The group is selling the McMurdo reserve battery business to Kembrey for £4.7m cash to cut borrowings.

Group turnover declined to £39.76m (£41.97m) and the loss per share was 60.6p (earnings of 19.1p). There is no final dividend.

Boots shares rise as heart drug gets first submission

By Clive Cookson

BOOTS, the UK pharmaceutical and retailing company, has filed the first regulatory submission for Manoplax, its new heart drug which analysts believe has substantial sales potential.

Sir James Blyth, Boots chief executive, called the application to the US Food and Drug Administration "a significant milestone" for the company. Boots' shares responded by rising 11p to 286p.

Similar applications for Manoplax will be made to the regulatory authorities in the UK and other European countries over the next few months.

The submission represents a reversal in the drug's fortunes. A year ago Boots shocked the stock market with an announcement that clinical trials of Manoplax had given "disappointing" results; the company even hinted that its development programme might be stopped.

Boots yesterday said last year's warning followed the first statistical analysis of Manoplax clinical trial results from the US "which did not look good". But subsequent analysis by different statistical methods showed that the drug worked after all.

Boots researchers discovered Manoplax in 1979. Its first application will be to "improve the quality of life" for patients suffering from congestive heart failure. The clinical evidence shows that it enables them to take exercise more comfortably and safely.

Boots hopes later to market Manoplax as an anti-hypertensive drug to reduce blood pressure.

Boots also announced yesterday that it had reached a licensing agreement with Astra, the Swedish pharmaceutical company, for joint marketing of Manoplax in Germany. It is in discussion with potential marketing partners in the US.

If all goes according to plan, Manoplax will receive product licences in the US and the main European markets in 1992-93.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Boosey & Hawkes, British Shoe, Broadstoner, Cussins Property, Derwent Valley, Doeflex, Ibstock Johnsen, Inoco, Palma, Pittard Garnar, Raine Inds, REA, Sears, Sheffield Insulations, Telfos, Topdanmark, Triplevest, Tronoh Mines Malaysia, Ward Group.

Finals- Barry Wehmiller Intl, Beckman (A), Lloyds Chemists, Welsh Industrial Inv Trust.

FUTURE DATES

Interims-

Abtrust New European Inv	Oct 8
BNB Resources	Oct 11
British Airways	Nov 14
Downiebrae	Oct 12
Flicker	Oct 5
Forward Technology	Oct 18
Grampian Holdings	Oct 10
Hammerson Property Inv	Oct 22
Jacob (W&R)	Oct 4
Marylebone Estates	Oct 5
Slingsby (HC)	Oct 12
Trans World Comms	Oct 4
Walker Greenbank	Oct 9
Finals-	
Amstrad	Oct 10
Gleeson (MJ)	Nov 15
Kelt Energy	Oct 4
Lyles (S)	Oct 8
Property Trust	Oct 4
Scottish Metropolitan	Oct 22

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Arcolectric ......int	0.48	-	0.48	-	0.96
Armour Trust ......fin	1.08	Jan 31	0.95	1.35	1.2
Avonmore Foods ...int	1.25♣	Nov 14	1.25	-	2.5
BHH ......int	1	Nov 15	2	-	4
Bilton (Percy) ......int	5.4	Dec 5	5.4	-	16.61
Camellia Invs ......int	10	-	9	-	23
Canning (W) ......int	2.94	Dec 1	2.8	-	7.15
Eadie § ......int	nil	-	1	-	1.75
European Leisure ...fin	1.2†	-	1	1.7	1.5
Holt (Joseph) ......int	8	-	7	-	26
Newmark (Louis) ......fin	nil	-	9.4	nil	14.7
PCT § ......int	2.4	-	2.2	-	5.8
Tootal ......int	1.9	Jan 4	1.9	-	4.95
Watts, Blake ......int	2.7	Nov 28	2.6	-	8.6
W'holme Rink ......int	6.3	Nov 12	6.3	-	16.3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish pence.

THE POLLY PECK AFFAIR

The question of regulating a select band of freelance brokers

By Richard Waters

MR JASON DAVIES, whose dealings in Polly Peck International shares have become the focus of official inquiry, is one of only 37 freelance brokers operating through the London stock market.

His dealings raise the question of how effectively this small group of so-called "appointed representatives" are regulated. The Securities Association has just embarked on a review of the system, although this was not prompted by the Polly Peck share deals.

Paul E Schweder Miller, the small City broking firm which was Mr Davies' link into London, was eager last week to distance itself from any responsibility for his dealings.

Mr David Davis, a partner and the son of senior partner Mr Sidney Davis, said: "Mr Davies passes deals through us. It's not like a fellow who sits in our own office doing a lot of business."

However, under Financial Services Act rules, Schweder Miller bears the primary responsibility for the policing of Mr Davies' activities since he has been associated with the firm.

Mr Davies and the 36 other associates cannot deal themselves, but are authorised to advise on and "arrange" transactions – in other words, to put business through a regulated house. In such cases, it is the firm rather than The Securities Association which is responsible for regulating its associates.

Under TSA rules, two people at a firm must vouch that an associate is a "fit and proper" person to conduct investment business, and the associate must sign a declaration that he will not do anything to put a broking firm in breach of TSA rules.

Also, the firm has a responsibility under one of the Securities and Investments Board's general principles to have adequate arrangements for supervising its representatives.

Mr Davis refused to comment further on how the firm had policed Mr Davies' activities. Neither would he disclose how much business Mr Davies had put through the firm, but said: "We haven't seen very much in that direction."

"If there's anything a proper regulatory authority wants to ask us, our books are wide open," he added.

TSA refused to say whether it had investigated Mr Davies's dealings, or Schweder Miller, but added: "We are co-operating with the authorities in their investigations."

The 37 associates linked to UK authorised brokers are a far cry from the days when these so-called "half commission men" provided a substantial part of the income of some brokers.

The biggest, A J Bekhor, which closed its doors last November, at one time had 200 associates. Mr Jason Davies was a Bekhor associate before moving to Schweder Miller last November, along with other Bekhor associates.

Uncertainty surrounds the raising of £100m in Turkish Cyprus

By David Barchard

THE UNCERTAINTY surrounding the finances of Polly Peck International are as nothing compared to the mysteries of the Turkish Cypriot economy.

News that Mr Nadir might be trying to get £100m out of northern Cyprus to help his group's cash flow produced puzzlement among his London compatriots, especially the claims that the company's interests there were a terrific cash generator.

"There just isn't that sort of money around in northern Cyprus," said one London Turkish Cypriot businessman, adding "and nobody in his right mind keeps that amount in northern Cyprus anyhow."

In an economy where formal banking regulation is almost totally lacking, and exchange controls are rudimentary, it is hard to gauge the extent of Turkish Cypriot foreign exchange reserves. But hopes that Turkish Cyprus would become a major off-shore financial centre do not seem to have been realised.

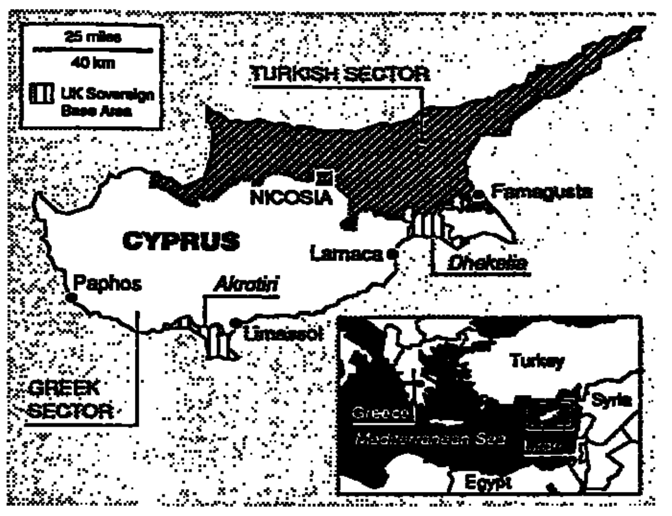
Mr Nadir is the one substantial figure in a Lilliputian economy, heavily dominated by the government and until the last few years almost totally reliant on handouts from mainland Turkey.

With a population of about 160,000, between 15,000 and 45,000 of them immigrant families who came from mainland Turkey in the mid-1970s, Turkish northern Cyprus covers 34 per cent of the island, but includes most of its best farming regions.

Misgivings about the scale of any possible Cypriot assistance to Mr Nadir seem to be confirmed by the inability of the Turkish Cypriot Office in London to supply even the most basic statistical data.

At least until recently, Turkish Cyprus was hardly in a position to stand on its own feet economically. Trading links with the UK are long established, and British goods of every kind are freely available. As a result there is a heavy deficit, but, in a fashion never fully explained, the Turkish Cypriots have always managed to muddle through.

Exports last year are believed to have been about $55m, leaving a trade deficit of $200m with tourism revenues in the region of $130m.



Remittances from Turkish Cypriots abroad and Turkish official aid to the Turkish zone of island have helped bridge the gap. Turkish official aid is believed to have totalled $466.9m between 1974 and 1988.

It is now offering the Turkish Cypriots a trade and travel package which seems to be not so much a federation, as an imitation of the arrangements which operate between the UK and the Channel Islands. Passport restrictions will be scrapped (though the Turkish Cypriots will almost certainly find ways of blocking a new wave of settlers from the mainland) and the remaining barriers to trade eliminated.

This should not be difficult as since 1974, the Turkish lira has been the official currency in the north. Efforts to launch a Turkish Cypriot currency got as far as printing bank notes which were never issued.

In addition to state aid, there have also been loans from Turkish state banks and official agencies on top of this, and some money has flowed in discreetly from the Arab world, particularly Saudi Arabia, for infrastructure projects.

Despite its fame, for many years Polly Peck was not the main fruit exporter in Turkish Cyprus. That title went to Cyprufruvex, a state company with a market share of about 45 per cent of the north Cyprus citrus export business, though Polly Peck was conceded to be ahead in grading and sorting of its products for the top end of the European markets.

The citrus fruit season is now getting into full swing, so Polly Peck's fruit division can look forward to an improved cash flow in the weeks and months ahead.

Mr Nadir has recently invested heavily in the tourist industry on the island. A new complex, Jasmine Court, was recently opened, and another Crystal Cove at Kyrenia is being built at a cost of £25m.

At least 8,000 people work for Mr Nadir on the island, about 5 per cent of the total Turkish Cypriot population, helping make Polly Peck's interests an important political cause. But, although Mr Nadir made his original fortune out of Turkish Cypriot oranges in the early 1980s, his interests there in recent years have looked small compared with his operations in mainland Turkey, and increasingly political in their motivation.

By encouraging a flow of western tourists to the island, many Turkish Cypriots believe that Mr Nadir is hurting their Greek Cypriot enemies in two ways. He is raising Turkish Cypriot income levels, estimated at one third of those in the south of the island, and promoting international awareness of the Turkish Cypriot cause.

Despite all this, it looks extremely unlikely that Mr Nadir could entertain any hopes of raising £100m from Turkish Cyprus.

UK COMPANY NEWS

Margins under pressure at W Canning

By Paul Cheeseright, Midlands Correspondent

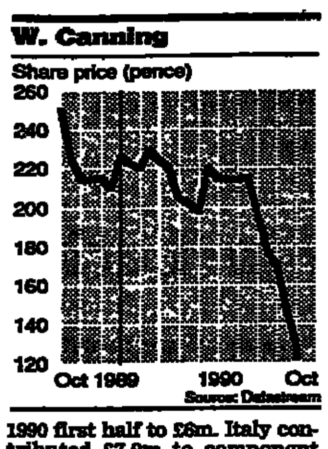
W CANNING, Birmingham-based speciality chemicals and electronic components distribution group, slightly increased interim pre-tax profits from £4.45m to £4.77m but said it was finding market conditions more and more uncertain.

Although total sales during the six months to end-June were £65.61m (£55.31m), operating profits were slightly reduced. It was only the reduction in holding company interest charges and costs not allocated elsewhere in the group, combined with the absence of charges for discontinued activities – that had shown up in the 1989 first half – which allowed pre-tax profits to increase.

Generally, Canning is finding its margins under pressure. Mr David Probert, chairman, noted yesterday that business confidence is adversely affected by high interest rates, inflation and the political situation in the Middle East.

The joker in the pack for Mr Probert is the Gulf crisis. While this helps Canning's synthetic lubricants business, it could have an effect on the international economy and lead to a slowdown in trade generally.

As it is, Canning's synthetic lubricant sales doubled in the



1990 first half to £6m. Italy contributed £7.9m to component sales, against nil in the 1989 first half, following recent acquisitions. But, the market has turned down in Spain and the UK, while east Europe has become more hazardous as buying has shifted from state purchasing companies to individual groups not possessing hard currency.

Two acquisitions during the first half have increased gearing from 12 per cent in December 1989 to 30 per cent in June.

First half earnings per share were 9.5p, compared with 11.4p last time. The interim dividend is raised to 2.94p (2.8p).

Acquisitions double European Leisure

By Nigel Clark

EUROPEAN LEISURE saw pre-tax profit more than double from £3.05m to £6.66m in the year to the end of June. The period saw a number of acquisitions including the takeover of Midsummer Leisure.

The result was achieved in spite of an increase in interest charges to £2.46m (£541,000).

The company said the present year had started in line with internal expectations.

The profit includes a five week contribution of £870,000 from Midsummer Leisure. The company said that progress had been made in selling non-core businesses, raising more than £20m. Further sales were expected in coming months.

Year end gearing stood at 72 per cent but disposals had helped it to fall to 60 per cent with a further reduction expected.

Discotheques had performed well and venue bars made progress, the company said. Turnover increased to £33.82m (£19.22) including £5.6m from Midsummer. The taxable profit included an exceptional profit of £306,000 from the head office sale.

Earnings per share were 6.73p (5.27p adjusted for the rights issue in November). The proposed final dividend of 1.2p makes a total of 1.7p (1.5p).

No dozer, no bull, in the earth-moving business

Jane Fuller meets Roger Shute of BM, which has made a bid for Blackwood Hodge

MR ROGER Shute, chairman of BM Group, is fond of comparing his construction equipment and building products company with the tortoise whose patient toil beat the hare.

Hard work is the first explanation he gives for BM's strength in markets where complaints are often heard about the ill effects of the UK interest rate squeeze. "If you work 16 hours a day, seven days a week, you do better than the slob who works five hours a day, three days a week."

And although he once described himself as being renowned for his impatience, he bided his time to good effect before moving on Blackwood Hodge, the flagging worldwide distributor of earth-moving equipment. An agreed one-for-seven share offer, valuing Blackwood at about £55m, was announced last week.

Mr Shute, 45, had been watching the chequered fortunes of this famous old name since 1972, when he started work as a salesman for a construction equipment maker. Before that he had worked at "lots of companies and in lots of factories". His patience had not run to completing the five-year electrical apprenticeship he began on leaving school at 17.

He formed his own company in 1979, "working from home and with my wife doing the typing".

Backed by the building group Beazer, he took on the franchise to import Hitachi excavators.

In 1984 – the year he was forced to give up rock climbing after breaking his arm for the sixth time – the plant sales business and other parts of Beazer's engineering division were injected into Braham Millar, an ailing listed company.

Since then, BM has increased sales from less than £10m to £228m, pre-tax profit from £560,000 to £23m and earnings per share from 1.5p to 22.6p. Prior to the Blackwood move, it had only once been highly geared, at 82 per cent in March last year after a £15m cash acquisition. Gearing had been reduced to zero by June.

Taking on Blackwood will not only send gearing to more than 60 per cent, but also add a 28 per cent chunk of new equity. For someone who prides himself on his frugality with BM paper and who regards earnings per share as the top priority, Mr Shute has to be asked whether the record can be maintained when many of the markets in which BM operates are in recession.

Last year three quarters of sales were in the UK and the growth there was only 7 per cent. Overseas, the figures doubled. Mr Shute's theory is that as the group has less than a tenth of 1 per cent of the global construction equipment market, it has plenty to go at regardless of patchy demand. "You don't have to be very dynamic to increase a tiny market share."

Apart from propounding the work ethic, he is a stickler for

Roger Shute – a stickler for financial discipline

financial discipline. Those who run the Blackwood subsidiaries will join a routine that includes weekly cash statements – "on my desk at 3.30pm on Friday"; "a monthly profit and loss account and balance sheet"; and "a short report on the local economy, the order book, stocks, any movements by competitors . . . ".

He describes himself as "quite miserly" when it comes to spending projects. "They have to submit a capital application form for everything over £250." The figure was fixed in 1983.

It might seem that someone with the strictness of an old-fashioned headmaster would daunt his employees, but those who have observed the way he works say he is thought of as tough but fair, and he makes people feel part of a winning team. Among the carrots is profit-sharing, in cash, right the way through the workforce.

He tries to be approachable, "walking onto the shop floor and talking to a man about his job, or having a drink with someone after work". His philosophy of treating people as equals goes back partly to his South Wales roots, where he saw plenty of people suffering from bad management, and partly to his own shop floor memories of what he disliked in those who managed him.

Although he has not met them, he has tried to learn from three business heroes: "Lord Weinstock for his cash management, Lord Hanson for his deal-making and Tiny Rowland for his success in countries where everyone else fails."

As his group gets bigger – Blackwood's annual turnover was more than twice that of BM – the task of selecting the right lieutenants becomes all the more important. Typically he has chosen people from the middle management ranks at acquisitions and his small head-office team is peppered with accountants.

Semi-seriously he says: "I look for someone with a wife, three children and a big mortgage because he will be ambitious."

He claims to have no great ambitions of his own, "only to grow earnings per share at a rate higher than the average".

But maintaining the record now looks to be more difficult as he is taking on a problem company at a time when its chief markets – Canada, Australia and the US – are at best patchy and at worst in recession.

Mr Roger Pinnington, the chairman with whom Mr Shute negotiated, says that apart from the tougher trading conditions, Blackwood is in need of a culture change that he did not have the time or the resources to carry out. "It is sales-orientated rather than an earnings-per-share/balance sheet-run business, which is more disciplined."

Although Mr Shute can point to acquisitions where this change in attitude has been effected – notably Benford, the Warwickshire manufacturer of dump trucks – the scale of the challenge is of a different order this time.

NEWS DIGEST

Bilton edges ahead to £7.83m

PERCY BILTON, the property, building, civil engineering and plant hire group, yesterday reported a 3.6 per cent advance in taxable profits for the six months to June 30.

The outcome – up from £7.56m to £7.83m – was achieved on turnover down 31 per cent to £14.92m (£21.68m). Mr William Kennedy, chairman, said that new lettings and rent reviews had helped income rise by 11 per cent over the period.

The reversion to the group of 107,000 sq ft of industrial buildings at Perivale, west London, "presents an opportunity for a significant increase in rental income", he stated.

Operating profits in property and investment totalled £9.45m (£8.51m), while construction, which includes housing activities, put in £2.07m (£2.05m). Civil engineering and plant hire "performed well in a very competitive market".

A maintained interim dividend of 5.4p is payable from earnings per share of 12p (11.7p).

BHH falls to £4.3m at halfway stage

BHH Group, the property company where a management buy-out attempt foundered in May, saw pre-tax profits fall from £5.91m to £4.28m in the six months to June 30.

Turnover, however, plummeted to £12.26m (£33.68). At the operating level, property investment made more at £2.98m (£2.78m) on turnover up at £6.96m (£6.06m), while property trading and development fell to £1.92m (£4.81m) on turnover sharply down at £5.4m (£27.62m).

Earnings dropped to 2.15p (7.75p) per share and the interim dividend is halved to 1p.

Rock falls into losses midway

A poor performance by Alax (UK), its air-conditioning equipment distributor, left Rock in the red at the interim stage.

However, the company said that sales had recovered and it expected to make profits in the current half.

Taxable losses for the component distribution group in the first half of 1990 were £298,000, against profits of £590,000, which included an exceptional credit of £687,000. Turnover was £4.42m (£3.56m).

There was no contribution from the Energy Technique acquisition which was expected to make a profit in the second half.

Losses per share were 2.94p (4.89 earnings). There was an extraordinary charge of £60,000 as a provision for losses and costs on the sale of Kingston Lochrie.

Frogmore cushioned by property sales

Frogmore Estates, the property investment and trading group, yesterday reported a 14 per cent drop to £26.1m in pre-tax profits for the year to June 30.

The results were struck after an increase in profits on sale of investment properties to £19.06m (£15.42m).

Pre-tax profits on ordinary activities more than halved to £7.08m (£14.94m). The figure was reduced by a writedown of £3.52m in the estimated net value of trading properties.

Turnover fell to £44.16m (£70.75m).

The company said net assets per share had fallen from 580p to 523p. Earnings per share dropped to 14.8p (27.7p) and a proposed final dividend of 9.4p lifts the total by 1.3p to 12.8p.

Poor HGV market leaves Eadie in loss

The depressed state of the heavy goods vehicle market contributed to a £204,000 pre-tax loss at Eadie Holdings in the six months to June 30.

The interim dividend is omitted, but the group expects a better second half and a final dividend.

The loss compares with a £1.21m profit a year ago and came on turnover 15 per cent lower at £11.7m (£13.75m).

Losses per share were 0.58p (2.84p earnings).

Armour Trust gains 10% to £2.26m

Armour Trust, which makes confectionery and car accessories, increased taxable profits by 10 per cent from £2.05m to £2.26m in the year to April 30.

Turnover rose to £21.24m (£20.8m) with the confectionery and automotive sectors both showing improved sales and profits.

Earnings per 10p share worked through at 5.7p (5.6p). A final dividend of 1.075p is recommended, making a total of 1.35p (1.2p).

Ambrit loss falls to £217,000

Pre-tax losses at Ambrit International, USM-quoted oil and gas company, fell to £217,000 in the first half of 1990, against £875,000, which included an exceptional charge of £550,000.

The result was also helped by a lower interest cost of £14,000 (£171,000). The loss per share was 0.3p (3p).

Interest charges limit High-Point rise

Higher interest charges of £1.96m, against £813,000, limited the growth of annual pre-tax profits at High-Point, the project promotion and consultancy group, to £2.52m. This was compared with £2.44m, which was struck after an exceptional charge of £127,000.

Turnover for the year to May 31 was £58.67m (£43.46m) giving an operating profit of £4.34m (£3.29m).

Earnings per share were 33.7p (31.1p) while a final dividend of 4.95p (4.5p) lifts the total to 7.5p (6.75p).

Sharp improvement at Arcolectric

A substantial expansion in interim profits was unveiled by Arcolectric (Holdings), the Surrey-based electric and electronic components group.

On sales ahead from £5.2m to £5.45m, the pre-tax line for the six months to end-June emerged at £371,125 (£128,158).

The interim dividend is maintained at 0.48p, payable from earnings of 3.61p (1.34p) per 5p share.

Trafford Park lower at £3.07m

Trafford Park Estates, property investment and development company, saw pre-tax profit fall £1.33m to £3.07m in the year to the end of June. The result was in spite of an increase in income from £9.38m to £11.54m.

After tax of £1.19m (£1.36m) earnings per share were 2.82p (4.55p). The proposed final dividend is being held at 1.725p, with a share option, for an unchanged total of 2.575p.

Avonmore shows decline to I£5.07m

Avonmore Foods, the acquisitive Irish dairy-based food products and ingredients group, saw a near-10 per cent decline to I£5.07m (£4.6m) in taxable profits for the six months to June 30.

The fall from last time's I£5.61m came on turnover of I£232.3m (I£177.27m). Earnings per share worked through at 3.34p (3.8p) and the interim dividend is held at 1.25p.

Oil price rise leads to caution at Toye

Toye, which manufactures civil and military regalia from its London base, lifted taxable profits from £322,106 to £370,786 in the first half of 1990. However, Mr Bryan Toye, chairman, said that opportunities for trade were being hampered by the strengthening oil price, which "materially affects the fiscal policies of third world countries" and their ability to purchase "non-strategic" goods.

Sales totalled £6.3m (£4.86m). earnings per share advanced to 10.5p (8.9p).

Camellia advances 29% to £1.32m

Camellia Investments, an investment holding company, lifted pre-tax profits 29 per cent from £1.02m to £1.32m in the first half of 1990.

Turnover grew at a slower rate – from £2.5m to £2.58m – while earnings rose 41 per cent to 34.05p (24.13p). The interim dividend is raised to 10p (9p).

Wolstenholme Rink static at £1.8m

Taxable profits at Wolstenholme Rink, the manufacturer of products for printing and allied industries, rose just under 3 per cent to £1.88m in the first half of 1990. Turnover was also fractionally ahead at £21.6m, against £21.54m.

Earnings inched up to 19.2p (18.9p) and the interim dividend is maintained at 6.3p.

Corton Beach nearly halved to £1.23m

Corton Beach, the USM-quoted motor, food and leisure group, reported taxable profits almost halved from £2.26m to £1.23m for the six months to July 31.

Sales rose to £89.82 (£80.95m), but operating profits were little changed at £3m (£2.9m).

Earnings per share fell to 1.1p (5p) basic, and 0.91p (4.55p) diluted.

Joseph Holt brews up 14% increase

Joseph Holt, the Manchester-based brewer, lifted taxable profits by 14 per cent in the six months to June 30.

The increase – from £2.42m to £2.76m – was achieved on turnover ahead a commensurate amount to £8.9m (£7.32m).

After tax of £965,241 (£846,554), earnings per share emerged at 59.74p, up from 52.41p last time. The interim dividend goes up 1p to 8p.

Churchbury rises 66% to £8.98m

Churchbury Estates, a property investment and development company, reported taxable profit for the year to March 31 up from £5.41m to £8.98m, a rise of 66 per cent.

Only £1,000 came from sale of dealing properties, against a loss of £1,000.

There was a tax credit of £430,000 (£2.04m charge) for earnings of 72.3p (25.81p).

COMMODITIES AND AGRICULTURE

E Europeans fail to get Moscow oil assurances

By Judy Dempsey in Vienna

SEVERAL EAST European countries will have to turn to the world market for oil supplies after failing to persuade Moscow to release agreed quotas for the rest of the year. This will lead to substantial price rises and cuts in energy consumption in most of these countries.

The pessimistic message was conveyed to Czechoslovak and Bulgarian officials at meetings in Moscow last week.

Furthermore, Czechoslovak officials believe that the Soviet Union cannot cover even half of next year's agreed deliveries of 16m tonnes.

Mr Vaclav Vales, the Czechoslovak deputy prime minister, was told by Mr Stepan Sitaryan, the deputy chairman of the Soviet Council of Ministers and chairman of the State Foreign Economic Commission, that no deliveries for 1991 had even been set.

Mr Vales had wanted to establish how contracts, including oil supplies, would be affected by the dollar clearing system which replaces the transferable rouble as a method of payment and which comes into effect on January 1.

But since the Czechoslovak delegation received no assurances about secure oil supplies, Mr Vales said Prague would consider contacting the Soviet republics directly, a plan which the Polish authorities have also been studying. He also suggested that Czechoslovakia could buy 3m tonnes of oil from Tyumen, one of the Soviet Union's giant oilfields, in exchange for direct participation in its production.

Bulgaria's options are even bleaker, a point which Mr Andrei Lukanov, the prime minister, raised with Mr Nikolai Ryzkhov, his Soviet counterpart, after talks in Moscow last week.

Again, while there were no assurances about guaranteeing adequate energy supplies to Bulgaria, there was determination by the Soviet authorities to switch to the dollar clearing system despite the rapid deterioration of Bulgaria's economy.

Indeed, Bulgarian officials estimate that the country will be able to meet only half, or 6m to 7m tonnes, of its oil requirements for next year.

Iraq was due to supply 3m tonnes this year. Instead, Bulgaria will next year receive 1m tonnes of oil from Iran under a barter deal.

● The Venezuelan government is discussing the acquisition of three oil refineries in Czechoslovakia, according to a press release from Venezuela's official news agency, writes Joe Mann in Caracas.

The agency referred to a possible deal in a press release covering a meeting in New York City between Venezuela's chief executive, Carlos Andres Perez and Mr Vaclav Havel, the president of Czechoslovakia. Mr Havel said that the two leaders discussed possible Venezuelan oil sales to Czechoslovakia in return for Czech technology.

Zaire cave-in sends cobalt price to nine-year high

By David Blackwell

A CAVE-IN at a large copper and cobalt mine in Zaire's Shaba province yesterday boosted the already soaring price for cobalt on the free market in London to nine-year highs.

The state-owned Kamoto mine, near Kolwezi, was reported to have collapsed on September 13 with no loss of life. A Reuters report at the weekend cited industry sources saying that production of copper would be cut by 10,000 tonnes a month and of cobalt by between 500 and 700 tonnes a month.

Mr Nick French of Wogen, the London traders, said yesterday that if the reported figures for the cobalt loss were true and the mine was out of production for an undefined period "the price direction can only be upwards."

The price reached $14 a lb yesterday after opening at $12.50 a lb. Six months ago it was $8 a lb.

Zaire is the biggest single producer of cobalt, at between 9,000 and 10,000 tonnes a year, Mr French said. "If you take the lowest reported figure of the production loss, 6,000 tonnes a year have gone – that's a huge proportion to have lost."

The metal is used widely in many products including superalloys for jet engines and cattle feed. For the past couple of years there has been an annual production shortfall of between 2,000 and 3,000 tonnes of cobalt which has been made up from consumer stocks.

Prices started to rise as the stocks ran out. Consumers have recently been living from hand to mouth, with some deliveries several months late, according to Mr French.

Coffee agreement extended for one year

By David Blackwell

AFTER TWO weeks of what one delegate described as "a pretty dispiriting performance", the International Coffee Organisation's members agreed in the early hours of Saturday morning to extend the International Coffee Agreement by one year without a price support mechanism.

The agreement will now end in September 1992, giving the world's coffee markets another two years of the free trade that began when the ICO export quota system was suspended at the beginning of July last year. Prices since then have fallen by about 50 per cent and producer countries estimate their losses at as much as $4bn.

The extension had been widely expected in the market and had little price impact. A fall of £12 to £595 for January robusta coffee on the London Futures and Options Exchange yesterday was mainly due to the strength of the pound, coupled with chart-based selling and stale long liquidation.

Delegates to the ICO's annual meeting refused to pick up the gauntlet flung down by Colombia on the first day of the talks. Colombia, the second biggest producer, which relies on coffee for 30 per cent of its export earnings, said the need to move towards a new market regulating agreement was urgent – a belief reiterated at the last council meeting on Friday night.

In fact the first week of the talks was written off in the absence of the chief delegate of the US, the biggest consumer, or the chief delegate of Brazil, the biggest producer. When they arrived last week, Mr Joao Rodrigues Cunha, the Brazilian delegate immediately proposed the idea of an extension, scuppering any hope that an export quota system could be revived in the near future.

The consumers were happy to accept an extension, although the US said again that it had not changed its stance on the problems which led to the collapse of the quota system – the two-tier market under which non-member consumers were getting cheap coffee, and the imbalance between arabica and robusta.

The lack of a clear policy on coffee from Brazil left the producers with no foundations on which to build a new agreement. They had no option but to accept Brazil's proposal for the one-year extension.

Delegates left the talks reasonably contented, but at the same time they were painfully aware that this time next year they could all be in the same position again.

EC honeymoon over for Spanish farmers

Profits have taken a dive as the community has tried to curb budgetary costs

FARMER'S VIEWPOINT

By David Richardson

WHILE FORMULA One racing cars roared around the circuit a few kilometres east of Jerez, practising for Sunday's Spanish Grand Prix, parties of pickers were completing the grape harvest on the rolling chalky land to the north and west of the town.

It is a painstaking, back-breaking task. Every bunch has to be cut by hand from the low vines and put into a large rubber bucket. Each bucket, holding about 25 kg of grapes, is then carried and emptied into a trailer that a tractor tows to the press.

The purpose of all this work is of course to produce the wine which is subsequently fortified with spirits to make sherry. The obvious prosperity of the area is based largely on the bottles consumed by the British before Sunday lunch and at Christmas. Although the Bodega owners are constantly seeking new markets, about half of their total production still comes goes to the UK.

This year's "must" the raw, partly fermented grape juice which forms the basis of sherry, will be plentiful and of excellent quality, if the crops I saw and tasted were any guide. It will take seven or eight years of maturing in oak casks, however, before the final product is ready to drink and that can be confirmed.

It can be assumed, nevertheless, that the Bodega owners in this particularly Anglicised area of Andalucia in southern Spain are relatively satisfied with this year's crops. But that was not the case with most other farmers I met there a few days ago.

The last time I was in the area was ten years ago. At that time Spain was still adjusting to democratic government after years of dictatorship under Franco and almost everyone was enthusiastic to join the European Community.

The exceptions were extremist lift wing groups such as the Syndicate of Country workers, many of whom had been made redundant from farm work and who roamed the countryside setting fire to crops of wheat and the like.

But when Spain joined the EC a couple of years later most of those people found other jobs, indeed many more left the land as the percentage of the population working on farms fell from over 20 per cent at the beginning of the decade to 12.5 per cent in 1988. Today it is not so much the workers who demonstrate disapproval of their fate as their employers.

After an exciting period at the beginning of the ten year transitional period to full community membership – during which farm production was encouraged to rise by prices that increased by annual steps to community levels – Spanish farm profits have taken a dive. Like the rest of the EC, Spain is now affected by commodity price freezes and budget stabilising adjustments that reduce prices when community production rises above predetermined levels.

In Andalucia I was told the price of olives had almost halved in the past five years and that for cotton had fallen by a third, not, I was assured, as a result of unbridled Spanish expansion but because of increase in the production of both commodities in Italy and Greece.

It is a familiar story, repeated in other EC countries about other farm products, and Spanish farmers are reacting in a similar way. This week another demonstration and march is planned in Seville. It is probably a pointless exercise and the organisers know it. But as one of them said: "We are being ruined by these policies. Do you expect us to allow that to happen quietly?"

A Seville-based agricultural merchant who supplies chemicals and fertilisers to farmers all over Andalucia, one of the most fertile areas in the country and the second largest autonomous region in Spain, described his own dilemma. "When I advise farmers on how to use the products I supply they ask what they can grow that will show a profit. In order to sell them more chemicals I need to give a positive reply. But I cannot answer them. At present prices there is little or no profit in anything."

And he went on to explain that in spite of all the natural advantages Andalucian agriculture enjoys the growers of citrus fruits, apples and pears and peaches as well as those who grow cereals and sunflowers were all in a similar situation with production costs rising and commodity prices falling.

But surely the climate of southern Spain together with the good soil and the availability of irrigation from the River Guadalquiver and its many tributaries gave fruit and vegetable growers an edge over the rest of the EC, I suggested. Indeed it was clear from the changes in cropping patterns in specialist horticultural areas that many holdings had expanded in the last ten years and were geared to exporting even more than they had been before Spain joined the Community.

Yes of course we export large quantities of produce, I was told. When we send strawberries or peppers or whatever to France, out of their season, we have no problems. But when French strawberries and peppers are ready for market French customs officials suddenly find that our produce has pesticide residues or noxious diseases and they refuse to allow them across the border.

When trucks are allowed into France in such market conditions it is not unusual for them to be hijacked and burned. It was yet another familiar sounding story and it was hardly surprising that some of those people who had expressed enthusiasm at the prospect of joining the EC ten years ago were now taking a rather more jaundiced view.

I found only one Andalucian farmer who was happy with his lot. An aristocrat from a family of long standing he owned 5,000 hectares on which he produced wheat, sunflowers and olives. Over the past ten years he had reduced his labour force from 50 to 30 and reckoned he could get it down to 10 if he spent a lot more on big tractors and tackle. Meanwhile with farm workers annual salaries still at less than £7,000 a year he was in no hurry to make the massive investment in machinery that would be necessary.

Economies of scale meant he was still making a modest margin, he admitted, although it was a totally inadequate return on the value of his investment. Ownership of the farm did allow him, however, to pursue his interest in bull fighting and more particularly the breeding of fighting bulls.

With enormous pride he showed me the 50 or so animals he had bred ready for next season. And he claimed that if he could sell them to bull rings with sufficient prestige he could make ten times their value for beef.

He claimed that after 30 years of selective breeding his bulls were now lean enough to attract the managers of some of Spain's most popular bull rings. In the last few years, he said, his bulls had produced good profits and he hoped they would do even better in the future.

I suppose the enterprise could be described as a successful diversification into leisure. And my aristocratic friend could presumably take comfort in the knowledge that it was unlikely to be disrupted by the French – unless of course Bridget Bardot and her friends succeed in getting bull fighting banned right across the European Community.

Portugal urges relief for backward areas

By Tim Dickson and Patrick Blum in Lisbon

SPECIAL MEASURES are urgently required if Europe's backward regions are to cope with the consequences of international farm reform, according to Mr Arlindo Cunha, Portugal's minister of agriculture.

During an interview in Lisbon Mr Cunha appeared to accept the inevitability of reductions in the European Community's agriculture subsidies as a consequence of the trade talks in the General Agreement on Tariffs and Trade known as the Uruguay Round.

But he emphasised more than once that: "The capacity of absorption of farmers across Europe is not the same."

Portugal was a case in point, he explained. It had the lowest level of agricultural productivity in the community, with yields on average between a quarter and a fifth of those achieved by farmers in other community countries. About 18 per cent of the national workforce derived their livelihoods from the land, yet agriculture's share of the country's gross domestic product was only 7 per cent. Almost a third of the rural population was illiterate.

In addition to the Iberian country's structural handicaps, Portugal is facing the unwelcome prospect of reduced farm prices and increased competition from outside as it comes more closely into line with the rules of the Common Agricultural Policy.

The so-called "second stage" of the country's 10-year transition period agreed on accession in 1986 – due to begin on January 1 – will involve the almost complete removal of import quotas and tariffs, as well as a progressive reduction in the high guaranteed prices from which local producers have benefited since the days of the former dictator Antonio Salazar.

Mr Cunha said EC farmers generally must be "realists" and accept that there had to be some negotiation over the current level of world-wide farm subsidies.

"The EC is also an exporter of farm products and if we do not make a deal with our competitors we will not create the minimal conditions for international trade."

On the other hand, he added, "complementary" measures to foster rural development, encourage diversification and boost farm incomes through direct income supports would be urgently needed in the "most affected" regions of the Community.

Mr Cunha said he received strong support for his approach when he raised the matter in Brussels at last week's meeting of the EC Farm Council. At this stage, however, no detailed plans had been discussed.

Mr Cunha said it was also difficult to comment on the Uruguay Round until the EC Commission had made its formal proposal and the detailed impact on individual product sectors becomes clear.

"But at last week's Council – when ministers were as worried about the market situation as at any time in the last five years – there was strong backing for Mr Raymond MacSharry, the Farm Commissioner."

The Commission is due to resume its discussions tomorrow following divisions two weeks ago between Mr MacSharry's supporters and a rival "camp" in Brussels led by the Mr Frans Andriessen, the External Relations Commissioner, and Mr Martin Bangemann, the Internal Market Commissioner. Mr Andriessen is anxious to tighten up aspects of Mr MacSharry's package, which broadly calls for a 30 per cent cut in farm supports over the 10 years 1986-96.

Tin producers to cut output

TIN PRODUCING countries have agreed to cut their output by between 5 and 8 per cent in 1991 to reduce the overhang in world stocks, reports Reuters *from Cochabamba, Bolivia.*

The Association of Tin Producing Countries managed to get Brazil, the world's largest supplier, to accept a production cut for the first time, a breakthrough even though Brazil refused to join the group, prefering to maintain its observer status.

Brazil committed itself to control wildcat mining at Bom Futuro and to reduce the mine's output from 19,000 tonnes this year to 14,000 tonnes in 1991, delegates said.

The ATPC executive committee will not announce the exact percentage of the across-the-board cut until it has been approved by a ministerial meeting here on Monday.

But delegates indicated that the cutback was more than 5 per cent and less than 8 per cent.

WORLD COMMODITIES PRICES

MARKET REPORT

Gold fell below $400 a fine ounce on the London bullion market yesterday, and on Comex gold futures were well down at midday. London dealers said the market was under pressure from the outset today following declines in the Far East. Despite the extent of the decline, business was largely routine and mostly restricted to professional operators, who were liquidating long positions this morning, they said. The main factor behind the losses in both London and New York appeared to be tumbling crude oil prices and weekend news that Iraq's President Saddam Hussein had called for dialogue in the Gulf crisis. On the LME copper prices fell sharply. Dealers said the market appeared to be trying to consolidate after recent weakness but the next price move depends largely on today's warehouse stocks data. A further rise in already substantial holdings would probably fuel a test of the major base around $2,630 a tonne for three-month metal. A breach of that would point to $2,550 and possibly even lower, analysts said. Nickel prices were also down after early merchant liquidation in expectation of a further rise in LME warehouse stocks today.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$33.50-3.60y	-1.95
Brent Blend (dated)	$38.50-8.60	-2.57
Brent Blend (November)	$37.05-7.20	-2.00
W.T.I. (1 pm est)	$36.75-6.80y	-2.86
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$434-439	$-9\frac{1}{2}$
Gas Oil	$326-327	-23
Heavy Fuel Oil	$138-140	-5
Naphtha	$390-394	$-12\frac{1}{2}$
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$396.50	-8.25
Silver (per troy oz)♣	473c	-7
Platinum (per troy oz)	$431.50	-0.25
Palladium (per troy oz)	$97.00	+1.00
Aluminium (free market)	$1925	-50
Copper (US Producer)	132c	-3
Lead (US Producer)	45c	-5
Nickel (free market)	480c	-25
Tin (Kuala Lumpur market)	16.28r	
Tin (New York)	289c	+12
Zinc (US Prime Western)	81.0c	-3.5
Cattle (live weight)†	99.53p	
Sheep (dead weight)†	122.00p	
Pigs (live weight)†	76.37p	
London daily sugar (raw)	$282.9v	-8.4
London daily sugar (white)	$306.0v	-7.7
Tate and Lyle export price	£248	-8
Barley (English feed)	£114.75	-0.25
Maize (US No. 3 yellow)	£153.5	+2.5
Wheat (US Dark Northern)	£90.0	
Rubber (Nov)♥	52.50p	-1.00
Rubber (Dec)♥	52.75p	-1.00
Rubber (KL RSS No 1 Oct)	241m	
Coconut oil (Philippines)§	$285.0q	+2.5
Palm Oil (Malaysian)§	$290	
Copra (Philippines)§	$187.5t	
Soyabeans (US)	£147.5	
Cotton "A" index	80.60c	-0.15
Woollops (64s Super)	436p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Dec. u-Oct/Dec v-Oct/Nov. w-Oct z-Aug/Sep y-Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Dec	234.00	246.00	243.00	228.00
Mar	225.80	225.60	230.60	223.40
May	228.80	229.40	231.60	224.20
Aug	227.00		226.80	226.40
Oct	226.00	231.80	227.00	226.60
White	Close	Previous	High/Low	
Dec	302.0	303.5	304.0	298.5
Mar	300.5	300.0	304.0	298.0
May	301.0	308.0	302.2	298.0
Aug	307.5		309.2	306.0
Oct	301.5	305.5	302.5	
Dec	302.0	305.0	303.0	300.0

Turnover: Raw1768 (3071) lots of 50 tonnes. White 1200 (706)
Paris- White (FFr per tonne): Dec 1585 Mar 1585, May 1587, Aug 1635, Oct 1610

CRUDE OIL – IPE			$/barrel	
	Close	Previous	High/Low	
Nov	37.05	39.15	38.70	36.05
Dec	35.72	37.40	37.00	34.75
Jan	34.38	35.45	35.35	33.65
Mar	32.06	33.15	32.82	
IPE Index	38.36	36.70		

Turnover: 18455 (15932)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Oct	320.00	341.50	339.50	318.00
Nov	313.00	340.00	335.50	313.00
Dec	305.00	331.25	327.50	305.00
Jan	301.00	316.00	313.00	301.00
Feb	277.50	301.00	304.00	297.50
Mar	264.50	285.00	287.00	277.00
Apr	251.00	266.00	270.00	251.00

Turnover 10430 (10778)lots of 100 tonnes

TEA
There were 30,346 packages were on offer this week including 800 offshore, reports the Tea Brokers' Association. There was strong general demand. Better quality Assams were actively supported and often dearer. Mediums came to a more selective market. Bangladesh teas proved a weak feature. Bright liquoring Africans were fully firm to dearer and the better mediums showed little change but Central Africans often gained 2p to 4p per kilo. Ceylons again met good demand at generally dearer rates. Offshore Kenyas sold readily with prices about steady. Quotations: quality 225p nominal, medium 130p, low medium 70p.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Dec	740	747	747	739
Mar	775	783	781	774
May	797	806	805	796
Jul	819	827	823	818
Sep	841	846	845	840
Dec	865	872	869	865
Mar	888		894	888

Turnover: 5241 (2790) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 28 982.28 (988.03) 10 day average for Oct 1 981.05 (982.06)

COFFEE – London FOX			£/tonne	
	Close	Previous	High/Low	
Nov	575	591	590	574
Jan	595	607	607	593
Mar	595	602	603	594
May	608	619	615	608
Jul	622	630	630	622
Sep	638	644		

Turnover: 2676 (3928) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 28: Comp. daily 73.21 (73.87). 15 day average 74.88 (75.14)

POTATOES – BFE			£/tonne	
	Close	Previous	High/Low	
Nov	90.0	83.0	85.0	
Apr	142.5	144.5	145.0	141.0
May	159.0		158.0	

Turnover 285 (219) lots of 40 tonnes.

SOYABEAN MEAL – BFE			£/tonne
	Close	Previous	High/Low
Dec	113.00	112.50	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT FUTURES – BFE			$10/index point	
	Close	Previous	High/Low	
Oct	1205	1207	1200	1190
Nov	1220		1222	1215
Jan	1224	1230	1230	1218
Jul	1090		1090	
BFI	1157	1168		

Turnover 102 (202)

GRAINS – BFE			£/tonne	
Wheat	Close	Previous	High/Low	
Nov	114.45	114.20	114.45	114.20
Jan	118.55	118.40	118.60	118.40
Mar	122.10	121.90	122.10	122.00
May	125.60	125.50	125.60	
Sep	110.50		110.50	
Barley	Close	Previous	High/Low	
Nov	112.75	112.65	112.75	112.70
Jan	116.95	116.75	116.95	116.90
Mar	120.05		120.05	120.00

Turnover: Wheat 76 (242), Barley 88 (42).
Turnover lots of 100 tonnes.

PIGS – BFE			(Cash Settlement) p/kg	
	Close	Previous	High/Low	
Oct	103.0	104.5		
Nov	103.0	99.0	102.5	102.0
Jan	94.0	99.5		

Turnover 23 (17) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 18,319 lots
Cash	1925-30	1890-900	1930/1920	1920-1		
3 months	1828-8	1820-5	1840/1792	1823-5	1830-2	73,593 lots
Copper, Grade A (£ per tonne)						Total daily turnover 23,726 lots
Cash	1474-8	1525-30	1474/1468	1472-4		
3 months	1431-2	1482-4	1444/1427	1430-1	1430-2	116,318 lots
Lead (£ per tonne)						Total daily turnover 3,080 lots
Cash	405-7	412-4	411/411	411-1.3		
3 months	415-6	422-4	425/407	418-9	416-8	10,411 lots
Nickel ($ per tonne)						Total daily turnover 2,208 lots
Cash	9775-825	10150-200	9775/9750	9725-50		
3 months	9475-80	9750-75	9550/9375	9400-25	9500-50	8,932 lots
Tin ($ per tonne)						Total daily turnover 2,931 lots
Cash	6360-80	6440-60		6340-5		
3 months	6360-400	6480-500	6500/6300	6370-5	6380-90	8,205 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 3,500 lots
Cash	1379-81	1390-5	1385/1385	1383-5		
3 months	1369-71	1380-2	1380/1365	1370-5	1371-2	19,540 lots

LME Closing £/$ rate:
SPOT: 1.8895 | 3 months: 1.8591 | 6 months: 1.8277 | 9 months: 1.8051

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	$395\frac{1}{4}$-$396\frac{1}{4}$	$209\frac{3}{4}$-$210\frac{1}{4}$
Opening	$398\frac{1}{2}$-399	$209\frac{3}{4}$-$210\frac{1}{4}$
Morning fix	400.00	211.160
Afternoon fix	396.30	209.483
Day's high	$401\frac{1}{2}$-402	
Day's low	$395\frac{1}{4}$-$395\frac{3}{4}$	

Coins	$ price	£ equivalent
Mapleleaf	406-411	215-218
Britannia	406-411	215-218
US Eagle	406-411	215-218
Angel	406-411	215-218
Krugerrand	$395\frac{1}{2}$-$398\frac{1}{2}$	209-211
New Sov.	95-97	$50\frac{1}{4}$-$51\frac{1}{4}$
Old Sov.	95-97	$50\frac{1}{4}$-$51\frac{1}{4}$
Noble Plat	436.25-443.60	230.65-234.35

Silver fix	p/fine oz	US cts equiv
Spot	252.60	476.60
3 months	261.95	488.25
6 months	271.00	497.70
12 months	288.35	517.40

TRADED OPTIONS

Coffee	Nov	Jan	Nov	Jan
550	31	58	7	14
600	7	29	33	35
650	1	14	77	70
Cocoa	Dec	Mar	Dec	Mar
700	59	106	20	32
750	32	77	43	53
800	16	56	77	82

Brent Crude	Nov	Dec	Nov	Dec
3900	120	310		
3950				
4000	100			

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Oct	396.6	402.5	399.8	395.5
Nov	389.1	405.4	0	0
Dec	391.6	408.1	404.0	390.0
Feb	395.9	412.6	408.0	393.5
Apr	399.9	416.8	412.8	398.5
Jun	404.1	421.3	418.8	403.5
Aug	407.9	425.5	421.0	410.0
Oct	412.4	430.3	425.8	424.0
Dec	416.9	435.1	428.0	420.5

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	426.8	433.1	431.0	426.5
Jan	432.6	439.1	437.5	431.8
Apr	438.4	445.3	444.0	437.5
Jul	443.7	451.0	447.4	443.5
Oct	455.2	456.5	454.3	449.4

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Oct	464.0	476.1	463.0	463.0
Nov	467.1	479.3	0	0
Dec	471.0	483.2	482.0	468.0
Jan	473.4	485.7	0	0
Mar	481.4	493.9	493.0	479.0
May	488.2	500.9	500.0	487.0
Jul	495.2	508.1	507.0	491.0
Sep	502.8	515.9	508.0	506.0
Dec	513.1	526.9	525.0	508.0
Jan	516.3	530.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	125.70	126.60	126.50	125.40
Nov	120.65	122.45	120.50	120.50
Dec	117.00	118.80	118.50	116.90
Jan	114.80	118.40	115.50	114.40
Mar	110.70	112.15	112.00	110.60
Apr	109.00	110.45	0	0
May	108.30	109.70	109.50	108.40
Jun	107.15	108.50	0	0
Jul	106.10	107.30	106.90	106.90
Aug	104.85	106.05	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Close	Previous	High/Low	
Nov	37.09	39.51	38.60	35.85
Dec	37.31	38.31	37.40	37.31
Jan	35.75	36.75	35.95	35.75
Feb	34.40	35.40	34.85	34.40
Mar	33.15	34.15	33.50	33.15
Apr	32.00	33.00	32.30	32.00
May	30.95	31.95	31.40	31.00
Jun	30.00	31.00	30.50	30.00
Jul	29.20	30.20	29.35	29.20
Aug	28.55	29.55	28.80	28.75

HEATING OIL 42,000 US galls, cents/US galls				
	Close	Previous	High/Low	
Nov	10003	10592	10410	9890
Dec	10349	10649	10450	10349
Jan	10153	10453	10320	10153
Feb	9653	9953	9840	9653
Mar	9173	9473	9345	9173
Apr	8703	9003	8910	8703
May	8368	8668	8575	8470
Jun	8143	8443	8380	8160
Jul	8043	8343	8300	8090
Aug	8093	8393	8325	8290

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	1240	1281	1287	1236
Mar	1288	1322	1325	1286
May	1316	1354	1353	1316
Jul	1343	1384	1370	1350
Sep	1376	1416	1400	1376
Dec	1409	1449	0	0
Mar	1485	0	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	92.40	93.00	93.50	92.00
Mar	95.65	96.15	96.65	95.25
May	97.85	98.45	98.70	97.50
Jul	99.60	100.50	101.00	99.50
Sep	101.70	102.25	102.25	101.70
Dec	104.25	105.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	10.13	10.11	10.33	9.97
May	10.15	10.13	10.34	10.01
Jul	10.15	10.16	10.32	10.02
Oct	10.16	10.15	10.33	10.05
Mar	10.22	10.59	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Oct	72.50	73.00	73.25	72.50
Dec	71.58	71.92	71.94	71.42
Mar	72.20	72.93	72.70	72.20
May	73.00	73.40	73.20	72.85
Jul	73.16	73.56	73.50	73.15
Oct	68.85	69.30	69.10	69.00
Dec	67.62	67.68	67.70	67.50

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	136.80	137.00	137.50	135.75
Jan	132.40	132.10	133.10	131.20
Mar	132.80	132.75	133.40	132.10
May	132.40	132.60	132.50	132.25
Jul	132.40	132.60	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Oct 1	Sep 28	mnth ago	yr ago
1766.1	1783.4	1806.4	1875.3

DOW JONES (Base: Dec. 31 1974 = 100)				
	Sep 28	Sep 27	mnth ago	yr ago
Spot	128.67	129.38	130.12	129.42
Futures	131.21	131.96	132.48	130.92

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Nov	604/4	617/4	613/0	604/0
Jan	619/4	632/6	628/0	619/0
Mar	632/4	645/4	640/0	632/0
May	641/6	654/2	649/4	641/4
Jul	649/4	662/4	657/0	649/0
Aug	643/4	655/0	651/4	643/4
Sep	623/0	633/0	632/4	623/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Oct	22.74	23.38	23.30	22.70
Dec	22.99	23.56	23.50	22.97
Jan	23.29	23.83	23.70	23.28
Mar	23.73	24.15	24.07	23.73
May	24.01	24.39	24.25	24.00
Jul	24.13	24.50	24.33	24.13
Aug	24.10	24.45	24.25	24.10
Sep	24.01	24.30	24.03	23.87

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Oct	174.3	176.9	175.9	173.8
Dec	179.9	182.6	181.5	179.6
Jan	181.8	184.6	183.5	181.6
Mar	184.8	187.8	186.3	184.5
May	186.0	189.5	187.5	186.0
Jul	187.3	190.7	189.0	187.3
Aug	187.0	189.7	188.0	187.0
Sep	185.0	187.7	186.0	185.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	223/0	226/0	226/6	222/6
Mar	232/6	237/4	236/4	232/2
May	239/2	243/2	242/0	238/0
Jul	242/0	246/4	245/4	241/4
Sep	241/0	244/2	244/2	240/2
Dec	242/6	246/0	246/0	242/4
Mar	249/0	251/4	250/0	249/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	267/6	277/6	276/2	267/4
Mar	281/2	291/2	290/0	281/0
May	288/4	289/0	297/4	289/0
Jul	294/0	302/6	300/4	294/0
Sep	300/0	307/2	304/0	300/0
Dec	310/0	315/6	315/0	310/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	80.17	79.05	80.45	79.70
Dec	77.45	76.45	77.85	77.10
Feb	75.50	74.70	76.17	75.25
Apr	75.90	75.05	76.40	75.75
Jun	73.40	72.85	73.90	73.25
Aug	71.75	71.22	72.15	71.70
Oct	71.80	71.32	72.40	71.80

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Oct	56.32	54.82	56.32	56.32
Dec	54.20	52.70	54.20	54.20
Feb	51.35	49.85	51.35	51.35
Apr	48.02	46.52	48.02	48.02
Jun	51.35	49.85	51.35	51.35
Jul	51.45	49.95	51.45	51.00
Aug	50.20	48.70	50.20	49.70
Oct	45.97	44.47	45.97	45.95

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	60.20	58.20	60.20	60.20
Mar	60.07	58.07	60.07	60.07
May	60.67	58.67	60.67	60.67
Jul	60.52	58.52	60.52	60.52
Aug	58.50	56.50	58.50	0

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LEVERAGED BUY-OUT · CORNERSTONE FINANCE · PROJECT FINANCE · EUROPEAN CROSSBORDER TRANSACTIONS · MERGERS AND ACQUISITIONS

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INDIVIDUALS

GETTING INTO BUSINESS

THE WHEEL OF CHANGE IN BUSINESS

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You are ambitious. You've heard of venture capital. And 3i. But what exactly can we do for you?

As the U.K.'s biggest venture capital company, 3i is committed to helping you achieve your ambitions by making venture capital more accessible. And easier to understand.

Which is why we created The Wheel of Change in Business. If you can show us where you want to be, 3i can help you get there.

The first step is easy, just tell us where you are now:

"I want to break out of the corporate structure."
3i venture capital can help you develop an independent career by getting into business for yourself.

"I want to be my own boss."
You may be thinking about starting a company, doing a management buy-out or buy-in. 3i can tailor its investment to match your needs.

"I want to build on our success."
As your business grows, 3i can provide growth capital, perhaps to help you move into a larger factory or to enable you to buy another business.

"I want to hand my business on."
Changes in ownership are a normal part of business life. If you've reached the stage where you want to hand over your business or some of your shares to the next generation, 3i can help you manage succession.

"I want to focus on what we do best."
All being well, a successful company will become a large business. Eventually, you may want to talk to 3i about restructuring your company in order to concentrate on core activities or to grow by acquisition.

"I want to break out..."
Changes brought on by growth or restructuring sometimes prompt ambitious individuals to break out of large businesses...and the cycle begins again.

Wherever you are on The Wheel of Change, 3i can help you make your next move. Simply tell us about your plans using the questionnaire below.

By learning more about your needs, we can decide together whether venture capital and 3i should be part of your future.

SHOW US WHERE YOU WANT TO BE,
WE CAN HELP TURN YOUR PLANS INTO ACTION.

3i

Investors in Industry

Please complete your name and address, giving company details if appropriate. Then complete the section which applies to you. Tick boxes to indicate "Yes", leave them blank for "No". Tick more than one box if appropriate. All replies are treated in the strictest confidence. Post this completed survey to 3i, The Wheel of Change in Business, FREEPOST, 91 Waterloo Road, London SE1 8BR.

Name: Mr/Mrs/Miss/Ms________

Position/Job Title________

Company Name________

Type of Business________

Address Home ☐ or Business ☐ (*Please tick*)

________Postcode________

Telephone________Your Date of Birth: __/__/__

INDIVIDUALS

1. **When are you planning to *own and manage* your own business?**
In 1 year ☐ 2-3 years ☐ 3-4 years ☐ 5+ years ☐
2. **How are you planning to gain ownership of your own business?**
Management Buy-out ☐ Management Buy-in ☐ Start a new business ☐
I need to find out more about the various methods of owning my own business ☐
3. **For a *Management Buy-in*, have you identified a target company?** Yes ☐ No ☐

GETTING INTO BUSINESS

4. **Do you have a start up idea?**
In mind ☐ Prepared a business plan ☐ Not yet ☐
Already started but need additional capital ☐
5. **In which industry are you planning to start your business?**
6. **Have you put together a management team?** Yes ☐ No ☐
7. **When are you planning to *start* your business?**
In 1 year ☐ 2-3 years ☐ 3-4 years ☐ 5+ years ☐

GROWING A BUSINESS

8. **How are you planning to grow your business?**
Acquire another business ☐ Develop a new product/market ☐
Change location ☐ Or are you growing faster than your finances will allow? ☐
9. **How much capital do you estimate you will need to fund your growth in the next 2 years?**
Up to £100,000 ☐ £100,000 – £500,000 ☐
£500,000 – £1m ☐ More than £1m ☐

CHANGE OF OWNERSHIP

10. **Having built up your business do you want to:**
Pass it on to the next generation in your family? ☐
Realise some cash as a reward for all your effort but stay involved? ☐
Sell your shareholding? ☐ Sell your business? ☐
Sell to the management team, or strengthen the management team in order to sell to them in the future? ☐
11. **By when do you expect to have achieved these plans?**
Over the next year ☐ Over the next 2 years ☐ Over the next 5 years ☐

LARGE BUSINESS (Turnover £100m +)

12. **Large businesses face key strategic issues in the 90s concerning shareholder value, the problems of short-termism, and the role of middle management.**
3i has prepared several publications which focus on the issues and challenges facing corporate management. Please indicate if you would like to receive a copy of the following:
☐ Generating Shareholder Value – an in-depth report.
☐ PLC UK – Corporate Attitudes to Stock Market Valuations – a Survey of 200 Finance Directors.
☐ Towards the Entrepreneurial & Empowering Organisation – a transcript of a major conference held in association with Tom Peters.

ADVISERS

13. **If you are a financial or legal adviser to businesses and would like to find out more about 3i and venture capital, please tick this box.** ☐

F.T. 021090

MAKE IT YOUR BUSINESS TO CHANGE

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LONDON STOCK EXCHANGE

US budget deal cheers London shares

THE FINAL investment quarter of 1990 got off to a brave start on the UK equity market yesterday as prices responded strongly, albeit indirectly, to the agreement at the weekend for a \$500bn cut in the US budget deficit over the next five years. However, the gain of 40 points on the FT-SE Index owed much to technical activity in the London futures market, and turnover in equities remained poor.

London marketmakers, sensing that the political agreement for a cut in the US budget deficit would be regarded on Wall Street as a step towards a reduction in interest rates there, marked share prices sharply higher at the opening of trading, so much so that they virtually killed off any potential support from the institutions. The Footsie Index was 16 points up, well above FT-SE 2,000, at its first reading, and that proved the day's low.

Equities soon drew further encouragement from a sharp rise in the December future on the FT-SE contract, which has now replaced the September contract as the hedging instrument against the underlying equity market.

The futures play was slightly misleading, in that the December contract remained throughout the session at a discount to fair value, which takes in future dividend flow and financing costs. The institutions were active in futures, although probably on short-term considerations.

At best the London equity market showed a gain of 43.2 on the FT-SE before beginning to ease back as Wall Street made a slower start than expected. New York caught fire late in London's day, and UK traders were closing their dealing books as the Dow increased its gain to 40 points midway through the US session.

The final reading showed the FT-SE Index 40.6 up at 2,030.8, the highest closing level for a week. But Seaq volume of 328.2m shares against 403.8m on Friday indicated the sluggishness of the market. Inter-dealer business again made up a significant part of yesterday's turnover.

Market strategists took a cautious view of the sudden upswing in the market, although several agreed that it showed just how quickly equities can recover if the outlook in the Gulf or on the US and UK economies improves. For the near term, much depends on Wall Street's progress, and one US house warned in London last night that the New York market might find it difficult to stage a sustained rally at present. And all the while, there is the continuing depressing news from Tokyo.

The FT-SE 100 Index Steering Committee announced after trading hours yesterday that it had decided to remove Polly Peck International from the Index with effect from last night and to replace it from this morning with Dalgety.

Account Dealing Dates

First Dealings:		
Sep 10	Sep 24	Oct 8
Option Declarations:		
Sep 20	Oct 4	Oct 18
Last Dealings:		
Sep 21	Oct 5	Oct 19
Account Day:		
Oct 1	Oct 15	Oct 29

*New-time dealings may take place from 9.30 am two business days earlier.

Challenge to pricing hits BT

MUCH OF an early strong showing by British Telecom (BT) was eroded after a statement from Sir Bryan Carsberg, Director General of Oftel, the telecommunications watchdog, that he was in favour of capping international call charges and increasing competition in the international market. BT shares touched 273p but closed only 4 up on balance at 268p, in spite of big gains elsewhere in the market; turnover in BT reached 9m, well up on normal levels.

Sir Bryan said studies in recent months showed margins on international calls had increased sharply since 1988, instead of being eroded by competition. If he failed to reach agreement on pricing with BT, then the matter might be referred to the Monopolies and Mergers Commission.

Most telecoms specialists said they had expected BT shares to react to the news but many also noted the exceptional strength in Cable & Wireless (C & W) shares, finally 16 higher at 417p on turnover of 2.1m. C & W derives 60 per cent of call revenue from international calls, a much higher percentage than BT.

Reuters rebound

Analysts said that a jump of 44 to 788p in the price of Reuters was prompted by a heavy turnover in the American Depositary Receipts (ADRs) on Friday in New York, where the shares rose by sharply because of a squeeze on a short trading position in the market. The stock has underperformed the London market by 30 per cent over the past three months, principally because of delays in the launch of two automatic exchange transaction systems. However, yesterday the shares recorded a healthy 956,000 turnover in London and 750,000 in the first hour of the new session in New York.

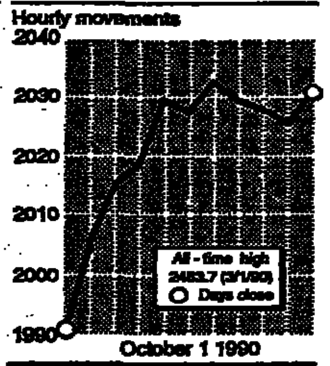
Mr Brian Newman of Henderson Crosthwaite said Reuters had stressed its confidence in the two new products. He said performance was in line with current analysts' estimates for 1990 profits of between £315m and £340m – up from around £283m in July.

BAT presentation

An upbeat presentation by the company and a buy recommendation from BZW pushed shares of BAT Industries up 17 to 555p on turnover of 2.5m.

FT–SE 100 Index

Hourly movements



October 1 1990

BAT said it was confident about growth prospects in the tobacco sector because of the opening of markets in Japan and eastern Europe.

However, BZW analyst Mr Nyren Scott-Malden said he was downgrading his estimate of 1990 profits from £1,575m to "below £1,400m" because the previous forecast had included some recovery which had been negated by the downturn in the economy. He remained confident that the 1991 figures would not be affected.

Waste management stocks were notable for activity in Leigh Interests rather than Caird. Sector investors are beginning to realise that Leigh offers a better option than Caird, said a leading analyst. Since last month's agreed share exchange offer for H T Hughes, the Leigh share price has weakened from 300p but it rallied yesterday to close up 8 at 248p.

Caird traded more quietly largely owing to Severn Trent Water being unable to purchase stock of its target, having reached the maximum allowed under Takeover Panel rules. Some arbitrage and other buying was noted but Caird dipped 8 to 95p, as against the Severn offer of 100p cash. The identity of Friday's buyer of a near-1 per cent stake, reportedly conducted by Cazenove, was awaited.

Standard Chartered picked up strongly after the marked weakness that occurred last week amid worries that the group's dividend could be in jeopardy; the shares ended a net 17 higher at 286p after good turnover of 2.1m.

Barclays rose with the market, closing 11 up at 321p on 3.8m and NatWest added 10 at 244p after Rod Barrett, banks analyst with US investment bank Goldman Sachs described the shares as "oversold."

London market makers, expecting Wall Street to start the new session strongly after the news of plans to trim the Federal budget, opened sharply higher yesterday morning. The FT-SE Index gained more than 43 points by mid-session, when the UK market paused ahead of the first reports from New York. The second half of the session saw shares moving more irregularly, closing below the day's best as the Dow Jones Industrial Average moved upwards. But trading houses remained depressed by the continuing low level of equity trading.

Composite insurers made good progress albeit in thin markets. Royals advanced 16 to 371p after UBS Phillips & Drew recommended a switch into the stock from Commercial Union (CU) "for potential 20 per cent outperformance"; the latter were 12 higher at 428p. Mr Andrew Goodwin at UBS said CU has outperformed Royal by 70 per cent over the last three years and forecasts a significant rerating of Royal over the next year. Guardian Royal were 9 firmer at 181p after positive circulars from Carr Kitcat & Aitken and Flemings.

Building stocks were marked up in quiet trading. Beazer attracted interest from US buyers interested in the aggregate side of the company, and this pushed the price to 91p, a rise of 2. Redland moved up 15 to 517p, helped by last week's favourable interim results, while RMC rose 16 to 526p.

Interim figures from Watts, Blake, Bearne, producers of building supply materials, showed a small increase in pre-tax profits to £4.5m from £4.4m and an increased interim dividend of 2.7p from 2.6p. The company remains confident that an extending spread of business operations will help to offset a slowdown in some of its markets, but the price showed no reaction, closing unchanged at 385p.

W Canning, the chemicals company, reported higher mid-term profits but the effects were eclipsed by the board's caution about second-half prospects and the shares fell 7 to 121p. Healthier trends were established by Wardle Storeys, 9 better at 226p, and Rentokil, 7 higher at 189p.

Oil shares were restrained by the decline in crude oil prices. Shell managed a 4p improvement at 454 on good turnover of 6.1m, but activity in BP at 4m shares proved disappointing with the shares only a fraction ahead at 347p. British Gas put on 4 to 210½p.

Suggestions of further stakebuilding by SHV, whose last revealed stake in the group was 9.14 per cent , helped Burmah improve 11 to 475p. The imposition of stringent rules on vehicle emissions by the Californian authorities were said to have caused minor selling of Ultramar, slightly easier at 339p, which owns the Wilmington refinery on the West Coast of the US.

Lasmo and Enterprise, the two leading UK exploration and production stocks, were among only a handful of Footsie stocks to lose ground, after determined selling by one securities house. The former gave up 8 to 643p and the latter 7 to 453p.

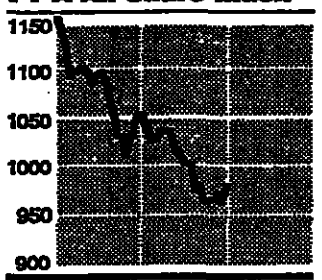
British Aerospace climbed 19 to 556p following reports of assurances by Saudi Arabia that a £1.5bn order for Tornado aircraft would go ahead. Shares in Rolls-Royce moved up 5½ to 177p after an announcement that Phoenix-based America West Airlines had ordered 118 aircraft with engines built by International Aero Engines of which Rolls-Royce is a major constituent.

Racal Electronics managed to edge up 4 to 140p on good turnover of 5.6m, while Racal Telecom, on much thinner trade, were 5 harder at 237p.

GEC put on 5½ to 186p on 6.3m shares, while talk of possible bids from 27 per cent shareholder Northern Telecom, or European groups Siemens or Alcatel, helped STC maintain their recent very firm showing and close 5 up at 251p.

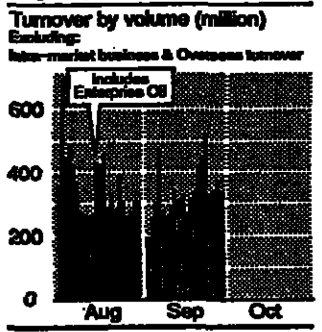
Logica added 6 at 156p after Hoare Govett labelled the stock "the pick of the bunch" in the software arena.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



FW Thorpe advanced 20 to 270p after the increase in preliminary profits and dividend.

BZW reduced their profits estimates for Securicor and Security Services but shifted their stance on both from "hold" to "buy" taking the view that around current levels the shares were standing at a 25 per cent discount to their underlying asset – "cheap, considering the long-term growth potential from the Cellnet stake and the strong balance sheets." Securicor "A" rallied 12 to 407p and Security Services 17 to 312p. Securiguard, whose profits warning last week triggered the heavy selling in other security stocks, bounced up 8 to 79p.

Boots rose 11 to 295p in active trading after announcing it had submitted Manoplax, the group's new heart drug, for marketing approval from the US Food and Drug Administration. Boots' high hopes for Manoplax suffered a set-back after disappointing trial results last year. Analysts said the submission to the FDA confirmed that the company's new plans for Manoplax were on schedule.

Ratners recovered from early worries about proposals in the US for a 10 per cent tax on part of the purchase price for jewellery exceeding \$5,000. But Ratners said it did not sell any jewellery for more than \$5,000 and the shares closed 8 higher at 201p.

Sears was unchanged at 83p awaiting its interim results this morning. Profits, excluding property, of £50-55m are expected, against £71.2m last time. Fine Art Developments gained 2 to 193p after analysts expressed mild optimism following a visit to the greetings card maker and distributor.

Property stocks advanced as bargain hunters emerged at the lower levels. But overall volume remained low, and yesterday's bounce was seen as technical and merely a reaction to the sharp fall seen recently. However, a slightly more optimistic tone on the timing of the next cut in UK interest rates saw Land Securities move up 13 to 471p and British Land 12 higher at 245p.

Frogmore Estates rose 12 to 241p, although profits for the year of £7m, compared with £15m last year, were much in line with expectations.

An announcement that Mr Robert Maxwell is set to offload some \$450m of his subsidiaries to reduce debts of \$1.9bn led to Maxwell Communications firming 4 to 149½p.

Publicity given to Mr Robert Maxwell's recent assertion that he intended to sell his 20 per cent stake in De La Rue triggered selling and this lowered the shares 10 to 254p.

Mr Rupert Murdoch's News International dropped back 25 to 164p in the wake of a poor performance on the Australian market, where shares fell A\$1, and damaging Australian press reports. Shares have slipped back heavily after the company announced a plan to restructure its share capital.

A downgrading of 1991 profit forecasts by Hoare Govett failed to prevent Saatchi & Saatchi nudging up 4½ to 36½p. Govett analyst Mr David Grimbley said Saatchi was nervous about the outlook of US advertising spend and he had moved his profit estimate to £40m from £50m.

Tootal produced interim profits which, although lower, were above some market forecasts and the shares improved 2 to 71p. The company also said it was ready for Coats Viyella if the latter launched a hostile bid. Coats Viyella hardened to 104p on news of disposals to Risehaven for £6.3m. The move was described as part of the group's continuing programme of concentrating resources on core activities.

■ Other Market statistics, including the FT-Actuaries share index, Page 31

FINANCIAL TIMES STOCK INDICES

	Oct 1	Sept 28	Sept 27	Sept 26	Sept 25	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.25	78.09	77.98	78.13	78.38	84.51	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	86.41	86.88	86.87	86.95	86.87	95.20	92.91 (9/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1573.0	1535.7	1548.1	1532.6	1526.6	1878.9	1969.3 (2/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	189.9	200.7	198.1	197.5	193.9	211.9	378.5 (8/2)	187.9 (13/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2030.8	1990.2	2009.1	2000.0	1999.2	2289.2	2463.7 (2/1)	1990.2 (28/9)	2463.7 (2/1/90)	986.9 (23/7/84)
Ord. Div. Yield	6.07	6.21	6.16	6.20	6.22	4.36				
Earning Yld %(full)	12.71	13.02	12.89	13.00	13.04	10.42				
P/E Ratio(Net)(*)	9.53	9.31	9.40	9.32	9.29	11.57				
SEAQ Bargains 4.45pm	18,393	17,564	18,129	18,854	19,022	22,653				
Equity Turnover(£m)†	-	734.89	785.52	673.15	645.70	835.75				
Equity Bargains†	-	19,427	17,296	16,209	18,449	23,855				
Shares Traded (ml)†	-	331.0	378.7	335.9	325.8	272.9				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. [illegible]

Ordinary Share Index, Hourly changes — Day's High 1574.3 — Day's Low 1550.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1550.4	1559.1	1561.6	1568.6	1567.9	1574.1	1571.7	1569.0	1565.7

FT-SE, Hourly changes — Day's High 2033.4 — Day's Low 2006.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2006.3	2013.5	2016.3	2029.2	2027.0	2032.8	2029.3	2027.6	2023.3

GILT EDGED ACTIVITY

Indices	Sept 28	Sept 27
Gilt Edged Bargains	95.4	96.0
5-Day average	90.9	87.4

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]				[illegible]				[illegible]				[illegible]			
British Land	489	245	+12	ICI	738	830	+22	Rothmans	187	870	+14	Utd. Newspapers	316	284	+3
BP	4,000	347	+½	Inchcape	478	272	+4	Ryl Bk Scotland	836	133	+6	Water Package Uts.	0	£225.0	+15
British Steel	3,200	118	+2½	Kingfisher	665	336	+6	Royal Insurance	908	371	+16	Wellcome	1,700	476	
British Telecom	9,000	268	+4	Ladbroke	1,900	242	+5	STC	1,800	251	+5	Welsh Water	420	244	-1
Bunzl	477	88	+1	Land Securities	597	471	+13	Saatchi	806	36½	+4½	Wessex Water	170	221	+2
Burmah Castrol	706	475	+11	Laporte	141	480	+2	Sainsbury	813	330	+6	Whitbread 'A'	482	407	+4
Burton	1,300	73	-3½	Legal & General	789	366	+5	Scottish & New.	580	328	+2	Wiggins Teape	646	165	+2
Cable & Wire.	2,100	417	+16	Lloyds Abbey	405	293	+2	Sears	2,900	83		Williams Hldgs.	177	188	+4
Cadburys	1,300	311	+4	Lloyds Bank	1,700	247	+7	Sedgwick	1,700	174		Willis Faber	1,800	208	+3
Calor Group	166	227	-1	LASMO	609	453	-7	Severn Trent Water	1,800	204	-1½	Wimpey	484	174	+4
Carlton Comms.	880	330	+17	Lonrho	630	207		Shell Transport	6,100	454	+4	Yorkshire Water	366	240	+3
Coats Viyella	840	104	+1	Lucas	3,000	118	+4	Siebe	174	308	+1				
Comm. Union	738	428	+12	MB Group	345	135	+5	Slough Ests	18	228	+2				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (15).
BRITISH FUNDS (7) BREWERS (1) ENGINEERING (1) TRANSPORT (1).
NEW LOWS (195).
AMERICANS (13) CANADIANS (6) BANKS (14) BUILDINGS (9) CHEMICALS (2) STORES (2) ELECTRICALS (9) ENGINEERING (9) FOODS (2) HOTELS (1) INDUSTRIALS (29) AAF Inv., Aberfoyle, Ass. Brit. Consultants, Avon Rubber, BTR Nylex, Barry Wehmiller, Cargo Control, Coalit, Davis (Godfrey), Elliam, Expamet Intl., Goode Durrant, Granada, Huntingdon Intl., Intercare Grp., Johnson Cleaners, Jourdan (T.), Linton Park, Lionheart, Low & Bonar, Omnitech, Scot. Heritable Tst., Sketchley, Sthn. Bus. Grp., Storngard, Whitecroft, Wilkes (J.), Wyndham Grp., INSURANCE (5) LEISURE (6) MOTORS (1) NEWSPAPERS (2) PAPERS (3) PROPERTY (7) SHOES (1) SOUTH AFRICANS (1) TEXTILES (8) TRUSTS (34) OILS (1) MINES (4) THIRD MARKET (3).

APPOINTMENTS

Royal Bank of Scotland board posts

■ Mr Peter Balfour, a vice chairman, has retired from the board of THE ROYAL BANK OF SCOTLAND. He continues as a vice chairman of the parent company, The Royal Bank of Scotland Group, and as chairman of Charterhouse. Mr Alistair Hamilton, a director since 1978, has been appointed a vice chairman of the bank. He retired earlier this year as joint senior partner of McGrigor Donald, Glasgow solicitors.

■ VALEO, a French automotive components manufacturer, has appointed Mr Gordon Clark as representative director for the group, and managing director of Valeo UK.

■ Mr Nick Connor has been appointed a director of WISE SPEKE, stockbrokers, Newcastle upon Tyne.

■ MEYER INTERNATIONAL has appointed Mr David Tilston to the new post of group treasurer. He was group treasurer of Balfour Beatty.

■ TATE ACCESS FLOORS has appointed Mr Mark Marshall as managing director of Tate UK with Mr Neil Smith as contracts director and Mr George Porter as UK sales director; Mr Malcolm Riley becomes manufacturing director, Mr Robert Grice director of quality and Mr Stephen Eggleton director of European sales.

■ WESTPORT GROUP has appointed Mr Ian McQuattie as group finance director, succeeding Mr Howard Potter who has retired.

■ ISA INTERNATIONAL, Bradford, has appointed Mr Peter Brier as group managing director. He joins from BET subsidiary Initial UK where he was services director.

■ Mr P.A.K. Arthur has been appointed a director of EDINBURGH FUND MANAGERS.

■ AT&T ISTEL AUTOMOTIVE SYSTEMS has appointed Mr Roger Jones as a deputy managing director responsible for the automotive parts aftermarket, and the component supply and vehicle assembly markets. He was commercial systems director. Mr Cliff Shuker has been appointed a deputy managing director responsible for the company's business with its largest customer, Rover Group. He was director of manufacturing systems.

■ ROYAL INSURANCE (UK), Liverpool, has appointed Mr Les Howell as director and general manager, responsible for strategic planning, information technology, personnel and office services. Mr Howell, who was assistant general manager, also becomes company secretary.

■ *Mr Malcolm J. Smith*, managing director of Alex Lawrie Factors, has been appointed chairman, southern regional council, of the CONFEDERATION OF BRITISH INDUSTRY.

LILLEY has appointed Mr Michael Livingston (*pictured*) as director of corporate development. He was corporate finance director at EFT Group, where he remains a non-executive director.

■ AMEC PROJECTS has appointed Mr John Foot as divisional managing director (southern). He joins from sister company Morse Diesel International. Mr John Leeper takes over as divisional managing director (northern) from his previous post as Scottish regional director. Mr John Horsfield becomes head of AMEC Design Consultants. He was chief structural engineer.

■ Mr Patrick de Muynck has been appointed an executive director of SAMUEL MONTAGU & CO, part of Midland Montagu. He is responsible for the European division, specialised financing group.

■ Mr Martin Weir, deputy general manager of the SCOTTISH CO-OP, will become general manager next year, succeeding Mr James Forbes who is to retire.

■ DOMESTIC AND GENERAL GROUP has appointed Mr Geoffrey Swinburne as a non-executive director. He was financial director of Comet Group.

■ DIAL-A-PHONE has appointed Mr John Robinson as executive chairman, and Mr Peter J. Musson as finance director.

■ Mr Pat Oakley has been appointed chief manager of LLOYDS BANK agricultural finance office, Bristol, succeeding Mr Chris Pettitt who has retired. Mr Oakley was senior manager at Chippenham.

■ WELLMAN has appointed Mr Michael K. Shaw as a non-executive director. He was group managing director of Armstrong Equipment.

LONDON SHARE SERVICE

BRITISH FUNDS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five to Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Over Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Undated						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

1990 High	1990 Low	Stock	Price £	+ or –	Yield (1)	Yield (2)
Index-Linked						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1990: 119.5 and for August 1990: [illegible]

INT. BANK AND O'SEAS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

1990 High	1990 Low	Stock	Price £	+ or –	Div. %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1990 High	1990 Low	Stock	Price £	+ or –	Div. Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or –	Div. Gross	C'vr	Y'ld Gr's
21¾	5⅝	Chase Manhattan \$12½	5⅝	.....	\$1.20	–	11.4
19¼	754	Chem. Banking Corpn.	[illegible]	+64	\$2.72	–	17.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

For AMB Gold see North West Gold

1990 High	1990 Low	Stock	Price £	+ or –	Div. Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9½	ABN Amro Fl5	£9½	−⅛	Q28%	2.1	8.9	5.3
303	176	ANZ SA1	176	.....	44c	1.4	10.7	6.6
229	173	Abbey National 10p	197	+1	5.7	4.3	3.9	8.0
*274	133	Allied Irish Ord.	136	+2	Q40%	3.3	6.6	6.2
85	48	Anglo Irish	50	+2	‡Q18.7%	2.7	8.4	7.2
93	61	Ansbacher (H.) 1p	61	.....	2.5	1.3	5.5	17.6
£71¼	£32½	Bancaire Cie Fr100	£35½	+1¼	kQ12¼%	−	3.6	−
£22¼	£13¾	Banco Bilbao Viz.	£14	.....	Q49.1%	2.7	5.7	9.6
286	136	Bank Ireland IrE1	139	+2	Q14.7%	2.9	9.9	4.9
£19¼	£18	Bank Leumi	£19½	.....	−	−	−	−
351	320	Bank Leumi (U.K.)	350	.....	†15.0	−	5.7	−
125	100	Bank Scotland	105	+2	4.55	3.3	5.8	7.0
100¼	83¼	Do. 9¼pc Irrd Pf.	93½	.....	9¼%	−	12.9	−
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	(20.2)
438	290	Barclays £1	321	+11	‡‡19.57	3.5	8.1	4.5
22	11	Benchmark 20p	11	.....	0.75	♦	9.1	♦
335	240	Brown Shipley £1	240	.....	12.0	2.2	6.7	7.8
*435	285	Cater Allen £1	285	−1	N24.5	−	11.5	−
179	49	Chancery	50	+1	9.0	2.7	24.0	2.0
£23¼	£15¼	Commerzbk DM10	£15¼	.....	Q18%	−	4.1	−
£13¼	620	Dai Ichi KBk Y50	628	.....	Q17%	6.2	0.5	31.8
£312½	£194¼	Deutsche Bk DM50	£201½	+7¾	Q28%	−	2.3	−
£20¼	£14½	Espirito Santo	£15	.....	Q75c	5.1	2.7	7.3
253	166	First Nat. Fin. 10p	166	.....	13.0	2.1	10.4	5.7
121	82	FNFC 6.3pc Cv. Pf.	83	.....	6.3%	−	10.1	−
£13¼	633	Fuji Bank Y50	634	+1	Q17%	♦	0.5	♦
325	262	Gerrard & National	268	.....	19.0	−	9.5	−
154	103	Guinness Mahon 10p	103	.....	2.1	−	2.7	−
328	194	Hambros 20p	199	.....	11.5	−	7.7	−
128	88	Do. 7.5pc Cv Pf.	89	+1	7½%	−	11.2	−
534½	32½	HK & Shang. HK$2.50	33	.....	‡‡Q38c	−	7.7	−
478	393	Joseph (Leo) £1	399	.....	15.85	−	5.4	−

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES — Contd

Components

1990 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's	P/E
458	420	Abbey Panels	453	.....	3.5	10.8	1.0	12.0
229	147	Airflow Streamlines	147	.....	6.0	3.9	5.4	6.3
190	145	Bostrom 5p	168	.....	t5.75	3.1	4.7	7.4
266	163	Dowty 50p	178	+4	9.0	2.1	6.7	8.6
239	119	FR Group	125	+1	6.37	3.2	6.8	6.0
135	55	Kwik-Fit Hldgs 10p	65	+1	12.4	2.3	5.0	11.8
174	102	Lucas Inds	119	+4	t6.25	3.0	7.0	5.4
44	14	Do. Warrants	18	+½	—	—	—	—
88	63	Mid-States 10p	63	.....	x20.75	—	1.6	52.8

Garages and Distributors

1990 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's	P/E
28	16	Alexanders 10p	16	−1	1.0	3.0	8.3	4.8
135	78	Appleyard 10p	88	.....	7.8	2.4	11.0	3.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY — Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST — Contd

[illegible]

INVESTMENT TRUST — Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES — Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1990 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
38	17	Sleepy Kids 5p	17	.....	—	—	—	—
		For Swanyard Studios see LEISURE						
3½	1¼	Systems Connections	2	.....	—	—	—	—
94	58	Tomorrows Leisure 20p	59	.....	1.0	♦	2.3	♦
55	27	UPL Group 10p	29	.....	—	—	—	—
		For Unit Grp see PAPER, PRINTING, ADVERTISING						
89	26	Video Magic Lels. 1p	26	−2	W2.0	0.7	10.3	20.8
6¼	2¼	Vista Ents 5p	2½	−¼	—	—	—	—
18	8	Vizcaya Hldgs 5p	8	.....	—	—	—	—
5½	2	Wilton Group 1p	2½	.....	—	—	—	8.4

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. *The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.*

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h *Assumed dividend and yield after scrip issue.* j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	700	.....
Finlay Pkg. 5p	48	.....
Holt (Jos) 25p	1385	.....

IRISH

Cap. 8½% Ln. 1991	£98	.....
9pc Cap Ln. 1996	£95	+½
Fin. 13% 97/02	£209	.....
Arnotts	180	.....
Carroll (P.J.)	115	.....
Hall (R. & H.)	165	.....
Heiton Hldgs	50	.....
IRG	150	.....
United Drug	130	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	45
BOC Grp	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	13
Brit. Telecom	22
Cadburys	26
Charter Cons	37
Comm Union	37
Courtaulds	25
Eurotunnel	55
FKI	5¼
FNFC	20
Gen Accident	46½
GEC	14
Glaxo	57
Grand Met	44
Guardian	15
GKN	27
Hanson	14
Hawker Sidd	39
ICI	70
Ladbroke	22
Legal & Gen	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds	11
Marks & Spencer	18
Midland Bk	20
Nat West Bk	18
P & O Dfd	42
Polly Peck	40
Racal Elect	14
RHM	23
Rank Org Ord	49
Reed Intnl	30
STC	19½
Sears	8½
SmKl. Beecham A	44
TI	37
TSB	18
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	50
Vickers	19
Wellcome	38

Property

Brit Land	24
Control Secs	4
Land Securities	42
MEPC	38
Mountleigh	11

Oils

Aviva Petlm	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm	20
Gaelic Res	2
Premier	8½
Shell	40
Tuskar Res	6
Ultramar	31

Mines

Lonrho	21
RTZ	40

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1600)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	40.22	40.22	43.01	-0.48	6.57
Gilts & Fixed Int	6	103.6	103.6xd	109.9	+0.3	10.46
High Inc Equity	6	112.3	112.3xd	120.1	-3.4	5.29
Worldwide Bond	6	186.2	186.2	197.4	.....	7.60
Capital Growth						
American Growth	6	148.2	148.2	158.5	-0.2	1.21
Asian Pacific	6	94.62	94.62	101.1	-2.0	0.12
Assets & Earnings	6	136.3	136.3	145.7	-1.7	3.22
Capital Reserve Acc	0	96.22	96.22	96.29	+0.05	7.41
Capital Reserve Inc	0	80.87	80.87	80.93	+0.05	7.41
Commodity & Energy	6	83.34	83.34	89.13	-1.76	1.14
1992 Enterprise	6	52.61	52.61	56.26	-0.67	3.47
Euro Capital Acc	6	79.19	79.19	84.69	-0.86	1.17
Euro Capital Inc	6	76.03	76.03	81.31	-0.83	1.17
General	6	148.2	148.2	158.5	-0.6	3.15
Japan	6	73.57	73.57xd	78.68	-2.51	0.00
Mastertrust	6	72.92	72.92	77.98	-1.18	2.17
UK Growth Acc	6	142.3	142.3xd	152.1	-6.2	2.68
UK Growth Dist	6	91.97	91.97xd	98.36	-3.04	2.68
US Emerging Cos	6	40.51	40.51xd	43.32	-0.86	0.00
Income & Growth	6	252.8	252.8	270.3	-3.0	3.79
Ethical	6	40.17	40.17	42.96	-0.86	2.33
International	6	49.28	49.99	53.18	-0.25	0.94
Dividend & Growth	6	39.23	40.24	42.80	+0.33	5.36
Global Gwth & Sec	6	45.64	45.75	48.67	-0.01	2.05

Abtrust Management Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

Amer Inc & Growth	5¼	25.80	25.80	27.42	(z)	2.88
European	5¼	66.27	66.27	70.47	(z)	0.00
European Income	5¼	70.07	70.07xd	74.38	(z)	4.67

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 410, Chester X, CH99 9QS 0244 680066

M & S Inv P'folio	5¼	93.54	93.54	100.0	+0.99	3.00
Do Accum	5¼	97.23	97.23	103.9	+1.0	3.00
UK Sel P'folio	5¼	82.36	82.36	88.08	+1.41	3.97
Do Accum	5¼	83.87	83.87	89.70	+1.45	3.97

Marlborough Managed Trust (1630)F
57 Victoria Square, Bolton, BL1 1UA 0204 364842

Managed Tst	5	44.89	45.36	48.25	.....	4.96

Martin Currie Unit Trusts Ltd (0905)H
48 Melville St, Edinburgh EH3 7HF Dlg 031-220 4924

Far East (Pacific)	5¼	76.21	76.21	80.90	-2.88	0.52
Income & Growth	5¼	50.41	50.41	53.51	-0.73	6.28
European (z)	5¼	49.04	49.04	52.05	-1.12	1.13
Nth American (z)	5¼	29.22	29.22	31.01	-0.29	2.49
Intl Growth(9-1)	5¼	49.04	50.19	53.27	-0.24	0.95
UK Growth	5¼	44.13	44.13	46.84	-1.68	3.68
Intl Income	5¼	42.82	42.82xd	45.45	-0.29	7.63
High Yield	5¼	40.15	40.15	42.62	-0.34	7.82
Charities	5¼	76.79	76.79	81.51	-0.9	7.44
Japan	5¼	29.03	29.03	30.81	-1.1	--

Matheson Unit Trust Managers Ltd (1200)H
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

SE Asia	6	39.39	39.39	42.13	-0.02	2.71
UK Growth (14-1)	6	55.89	55.89xd	59.78	+0.56	4.13
UK High Income	6	29.23	29.23xd	31.26	+0.27	6.46

Mayflower Management Co Ltd (1200)F
PO Box 249, Beckenham, Kent BR3 4WA 081-663 3111

Income	5	288.5	288.5xd	306.9	+5.0	5.99
Global Inc	5	41.33	41.33xd	43.97	+0.38	5.99
Brit Leaders	5	228.7	228.7xd	243.2	+3.9	4.61
Intl Leaders	5	123.1	123.1xd	131.0	+1.8	3.24

Medical Investments Ltd (1100)F
1 White Hart Yard, London SE1 1NX 071-407 5966

Health Fund	5¼	46.60	46.60	50.81	-1.87	.35

National Provident Inv Mgrs Ltd (1400)H
48 Gracechurch St, EC3P 3HH 071-623 4200

NPI American Acc ♥	5	57.32	57.42	61.08	+0.19	1.80
NPI American Dist ♥	5	53.92	54.01	57.46	+0.17	1.80
NPI European Acc	5	63.06	63.29	67.33	+0.81	0.89
NPI European Dist	5	62.09	62.32	66.30	+0.80	0.89
NPI Far East Acc ♥	5	84.94	85.44	90.89	-1.79	0.43
NPI Far East Dist ♥	5	84.34	84.83	90.24	-1.78	0.43
NPI O'seas Acc	5	743.8	746.8	794.5	+3.00	1.52
NPI O'seas Dist	5	582.4	584.8xd	622.1	+2.40	1.52
NPI UK Acc	5	401.7	405.8	431.7	+4.20	5.16
NPI UK Dist	5	226.9	229.3	243.9	+3.50	5.16
NPI W'wide Acc	5	60.93	61.65	65.59	-0.01	0.67
NPI W'wide Dist	5	58.60	59.30xd	63.08	-0.02	0.67

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The minimum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♠ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust information pages.

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Norwich Union Asset Management Ltd
PO Box 140, Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or –	Yield Gross
NUAM Funds				
Managed Fund	59.2	62.4	+0.7	–
Stock Market Mngd Fund	55.4	58.4	+0.6	–
Equity Fund	63.4	66.7	+1.0	–
International Fund	48.4	50.9	+0.2	–
European Fund	59.2	62.4	+0.7	–
North American Fund	48.5	51.1	+0.4	–
Pacific Fund	48.6	51.1	–0.6	–
Property Fund	87.2	91.8		–
Fixed Interest Fund	51.4	54.1	+0.2	–
Index Linked Sec Fund	57.9	60.9	+0.1	–
Deposit Fund	65.3	68.8	+0.1	–
NUAM Retirement Plans				
Mixed Fund	64.1	67.5	+0.7	–
UK Ordinary Share Fd	72.8	76.6	+1.1	–
International Fund	52.3	55.0	+0.1	–
Property Fund	84.2	88.7		–
Fixed Interest Fund	61.1	64.3	+0.3	–
Index Linked Sec Fund	61.2	64.4	+0.2	–
Deposit Fund	75.6	79.5	+0.1	–
NUAM (INF)				
Managed Fund	840.7	885.0	+8.2	–
Equity Fund	1754.0	1846.4	+25.0	–
International Fund	127.7	134.5	+0.8	–
Property Fund	551.8	580.9	+0.3	–
Fixed Interest Fund	385.4	405.7	+2.2	–
Index Linked Sec Fund	58.9	62.0	+0.1	–
Deposit Fund	268.6	282.8	+0.3	–

Norwich Union Life Insurance Soc.
Surrey Street, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or –	Yield Gross
Unitised Life				
With Profits Fd	104.98	110.50	+0.12	–
Managed Fd	80.10	84.32	+0.86	–
UK Ord Share Fd	82.97	87.34	+1.33	–
International Fd	71.62	75.39	+0.39	–
European Fd	82.12	86.44	+0.91	–
North American Fd	73.93	77.82	+0.58	–
Pacific Fd	61.56	64.80	–0.54	–

Sun Alliance International Life
PO Box 77, New St, St Peter Port, Guernsey 0481 714108

	Bid Price	Offer Price	+ or –	Yield Gross
North American Equity $	$7.69	8.28	—	–
Pacific Equity $	$6.62	7.13	—	–
Intl Currency $	$4.23	4.56	—	–
Intl Bond Fund $	$6.60	7.11	—	–
Gilt Fund £	£3.82	4.11	—	–
US Dollar Mngd Fd $	$1.53	1.65	—	–
Stlg Managed Fd £	£0.98	1.05	—	–

Target International Group

J. D. Ward Financial Services Ltd
9 Kingsway, London, WC2 B6XF. 01-836-4321

	Bid Price	Offer Price	+ or –	Yield Gross
Target Mngd Bond	183.2	192.9	–1.0	–
Target Mngd Pension	110.6	116.5	–0.6	–
Albany Life Acc	165.7	174.3	+0.6	–
Albany Pens Acc	204.9	215.6	+1.1	–

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

GUERNSEY (REGULATED)

هكذا من الأصل

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JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

US budget accord hits dollar

EXPECTATIONS of lower US interest rates pushed the dollar down sharply yesterday. Most of the movement came in the Far East in reaction to news that the White House had reached agreement with congressional leaders to cut $500bn from the US budget deficit over the next five years.

The dollar held steady during the European morning, but suffered another setback soon after New York began trading on a bleak survey from the US National Association of Purchasing Managers. The NAPM index for September was 44.4 per cent, compared with market forecasts of 46.0, and against 47.0 in August. A figure below 50 per cent is regarded as an indication that the economy is contracting.

In Tokyo the dollar fell to Y137.15 on the budget news and opened at Y137.20 in New York. It then weakened during morning trading in the US and towards the European close, to finish in London at Y136.90 compared with Y138.25 on Friday.

Reaction in Europe and the US was limited by caution about the progress of the plans to reduce the budget deficit, with dealers sceptical that President Bush's wish to see the agreement law by October 19 will be fulfilled. Mr Alan Greenspan, chairman of the Federal Reserve Board, indicated recently that a credible agreement to cut the deficit could encourage an easing of US monetary policy.

A fall in Japanese equity prices had no adverse impact on the yen, after an official from the Bank of Japan was reported as saying that this is unlikely to result in a cut in the official discount rate.

At the London close the dollar had also fallen to DM1.5515 from DM1.5660; to SFr1.2890 from SFr1.2985; and to FFr5.2000 from FFr5.2425. The dollar's index fell to 62.4 from 62.9.

Sterling had a soft undertone, but ended firmer overall because of the weakness of the dollar. The pound's index rose 0.2 to 93.5, after opening at 93.7. A downward revision to August UK retail sales had a depressing impact on the currency, but dealers said this was muted since the weakening economy is unlikely to produce an early reduction in interest rates.

Sterling gained 1.60 cents to $1.8895. It also rose to FFr9.8250 from FFr9.8225 and to SFr2.4350 from SFr2.4325, but declined to DM2.9325 from DM2.9350 and to Y258.75 from Y259.00.

The D-Mark gained a little from the falling dollar, improving against the French franc and the Italian lira in the European Monetary System. The lira was the weakest member of the EMS exchange rate mechanism, pushed down by soft short-term interest rates, even though the Bank of Italy drained liquidity from the money market yesterday, via a reverse repurchase tender. In Milan the D-Mark opened at L750.00, its highest level for some 10 months, and was fixed at L749.52 against L748.00 on Friday.

£ IN NEW YORK

Oct.1	Close	Previous Close
£ Spot	1.8825-1.8835	1.8765-1.8775
1 month	1.14-1.12pm	1.04-1.02pm
3 months	3.07-3.04pm	2.98-2.95pm
12 months	10.1-9.98pm	9.80-9.70pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.1	Previous
8.30 am	93.7	93.4
9.00 am	93.7	93.3
10.00 am	93.8	93.2
11.00 am	93.8	93.4
Noon	93.7	93.4
1.00 pm	93.7	93.4
2.00 pm	93.7	93.4
3.00 pm	93.5	93.5
4.00 pm	93.5	93.3

CURRENCY MOVEMENTS

Oct.1	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.5	-19.0
U.S Dollar	62.4	-16.1
Canadian Dollar	103.1	+0.9
Austrian Schilling	109.7	+11.6
Belgian Franc	111.6	-2.2
Danish Krone	110.7	+4.9
Deutsche Mark	119.1	+24.6
Swiss Franc	117.2	+25.6
Guilder	114.7	+15.1
French Franc	105.6	-11.3
Lira	99.4	-19.7
Yen	129.5	+61.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Sept 28.

CURRENCY RATES

Oct 1	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.743293	0.701575
U.S Dollar	7	1.39256	1.32668
Canadian $	12.82	1.61050	1.52847
Austrian Sch	6½	15.3265	14.4794
Belgian Franc	10¼	44.8996	42.4106
Danish Krone	10½	8.32890	7.86455
Deutsche Mark	6.00	2.17810	2.05834
Neth Guilder	7.00	2.45717	2.32116
French Franc	10¼	7.29214	6.89475
Italian Lira	12½	N/A	1542.66
Japanese Yen	6	191.895	181.954
Norway Krone	8	8.44588	7.98528
Spanish Peseta	–	136.432	128.913
Swedish Krona	11	8.02672	7.59059
Swiss Franc	6.00	1.80894	1.70478
Greek Drach	20½	N/A	204.600
Irish Punt	–	N/A	0.766910

† European Commission Calculations.
* All SDR rates are for Sep.28

OTHER CURRENCIES

Oct 1	£	$
Argentina	10457.2 - 10595.2	5530.00 - 5540.00
Australia	2.2730 - 2.2750	1.2025 - 1.2035
Brazil	158.465 - 159.875	83.800 - 84.500
Finland	6.9495 - 6.9630	3.6825 - 3.6855
Greece	286.55 - 296.70	151.45 - 156.65
Hong Kong	14.6585 - 14.6725	7.7590 - 7.7610
Iran	124.00*	66.20*
Korea(Sth)	1328.30 - 1349.75	710.70 - 715.70
Kuwait	N/A	N/A
Luxembourg	60.40 - 60.50	31.95 - 32.05
Malaysia	5.0920 - 5.1045	2.6965 - 2.6985
Mexico	5483.60 - 5503.95	2898.00 - 2908.00
N.Zealand	3.0455 - 3.0505	1.6120 - 1.6140
Saudi Ar.	7.0945 - 7.1485	3.7495 - 3.7505
Singapore	3.3235 - 3.3310	1.7590 - 1.7610
S.Af (Cm)	4.8440 - 4.8565	2.5630 - 2.5650
S.Af (Fn)	7.2345 - 7.3975	3.8385 - 3.9140
Taiwan	51.50 - 51.60	27.25 - 27.30
U.A.E.	6.9225 - 7.0025	3.6700 - 3.6735

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct 1	% change from central rate	% spread vs weakest narrow band currency	Divergence indicator
Spanish Peseta	132.889	128.913	-2.99	3.96	52
Irish Punt	0.763159	0.766910	0.49	0.35	-7
French Franc	6.85684	6.89475	0.55	0.29	-12
Belgian Franc	42.1679	42.4106	0.58	0.27	-11
German D-Mark	2.04446	2.05834	0.68	0.17	-22
Dutch Guilder	2.30358	2.32116	0.76	0.08	-21
Danish Krone	7.79845	7.86455	0.85	0.00	-23
Italian Lira	1529.70	1542.66	0.85	0.00	-25

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8870 - 1.9000	1.8890 - 1.8900	1.14-1.12cpm	7.18	3.06-3.02pm	6.44
Canada	2.1755 - 2.1855	2.1755 - 2.1765	0.53-0.44cpm	2.67	1.41-1.26pm	2.45
Netherlands	3.30 - 3.31¼	3.30 - 3.31	2-1¾cpm	7.03	5¼-5pm	6.13
Belgium	60.15 - 60.70	60.40 - 60.50	37-30cpm	6.65	94-83pm	5.86
Denmark	11.19¼ - 11.24¼	11.19½ - 11.20½	5-4½orepm	4.89	11¾-10½pm	4.00
Ireland	1.0920 - 1.0955	1.0920 - 1.0930	0.45-0.40cpm	4.67	1.10-1.00pm	3.84
W. Germany	2.92¾ - 2.94	2.93 - 2.93¼	1⅝-1½pfpm	6.39	4½-4¼pm	6.05
Portugal	259.25 - 261.75	259.10 - 260.10	14 -5cpm	0.44	25-74dis	-0.76
Spain	183.05 - 184.30	183.10 - 183.40	6-4cpm	0.33	6-4cpm	0.11
Italy	2194¼ - 2204	2197½ - 2198½	11-10cpm	5.73	24-22pm	4.19
Norway	11.36¼ - 11.41¼	11.37½ - 11.38½	4¼-3¾orepm	4.02	10⅝-9½pm	3.54
France	9.80¼ - 9.84½	9.82 - 9.83	4¾-4¼cpm	5.27	10¾-10⅜pm	4.30
Sweden	10.79¼ - 10.84¾	10.80¼ - 10.81¼	2¼-1¾orepm	2.15	5-3¾pm	1.62
Japan	258¼ - 260½	258¼ - 259¼	1⅝-1½ypm	7.25	4½-4pm	6.28
Austria	20.59 - 20.69	20.59 - 20.62	11¾-11grpm	6.66	30¼-28¾pm	5.67
Switzerland	2.42¼ - 2.44	2.43 - 2.44	1½-1¼cpm	7.08	4-3¾pm	6.47
ECU	1.4190 - 1.4270	1.4200 - 1.4210	0.63-0.60cpm	5.20	1.60-1.55pm	4.44

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.84-5.79cpm . 12 Month 10.11-10.01cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8870 - 1.9000	1.8890 - 1.8900	1.14-1.12cpm	7.18	3.06-3.02pm	6.44
Ireland†	1.7280 - 1.7330	1.7300 - 1.7310	0.31-0.36cpm	2.32	1.15-1.05pm	2.54
Canada	1.1505 - 1.1545	1.1520 - 1.1530	0.42-0.45cdis	-4.53	1.14-1.19dis	-4.04
Netherlands	1.7445 - 1.7510	1.7485 - 1.7495	0.01-0.04cdis	-0.17	0.14-0.18dis	-0.37
Belgium	31.90 - 32.05	31.95 - 32.05	par-3.00cdis	-0.56	2.00-7.00dis	-0.56
Denmark	5.91 - 5.93¼	5.92½ - 5.93	1.00-1.30oredis	-2.33	3.40-4.00dis	-2.50
W. Germany	1.5450 - 1.5535	1.5510 - 1.5530	0.02-0.04pfdis	-0.23	0.16-0.19dis	-0.45
Portugal	137.35 - 137.55	137.40 - 137.50	75-85cdis	-6.98	240-265dis	-7.35
Spain	97.00 - 97.25	97.15 - 97.25	52-60cdis	-6.91	150-161dis	-6.40
Italy	1158¾ - 1163½	1163 - 1163½	1.10-1.60liredis	-1.39	6.20-7.20dis	-2.30
Norway	6.00¾ - 6.02½	6.02 - 6.02½	1.45-1.80oredis	-3.24	4.20-4.70dis	-2.96
France	5.17¾ - 5.20¾	5.19¾ - 5.20¼	0.83-0.88cdis	-1.97	2.78-2.88dis	-2.18
Sweden	5.71 - 5.72¼	5.72 - 5.72½	2.30-2.55oredis	-5.09	6.80-7.25dis	-4.91
Japan	136.80 - 137.55	136.85 - 136.95	0.02ydis-par	-0.09	0.06-0.09dis	-0.22
Austria	10.88¼ - 10.92¼	10.91½ - 10.92	0.26-0.62grodis	-0.48	1.70-2.70dis	-0.81
Switzerland	1.2765 - 1.2900	1.2885 - 1.2895	0.04-parcpm	0.19	0.04pm-0.01dis	0.05
ECU	1.3255 - 1.3325	1.3255 - 1.3265	0.22-0.21cpm	1.95	0.70-0.68pm	2.08

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct 1	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15 - 14¾	15 - 14¾	14⅞ - 14¾	14⅞ - 14¾	14⅞ - 14¾	14⅞ - 14⅝
US Dollar	8¼ - 7⅞	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅜ - 8¼
Can. Dollar	12 - 11¾	12⅛ - 11¾	12⅛ - 11⅞	12⅛ - 12	12⅛ - 12	11⅞ - 11¾
D. Guilder	8⅛ - 7⅞	8⅛ - 8	8⅛ - 8⅛	8⅜ - 8¼	8⅜ - 8⅜	8⅞ - 8¾
Sw. Franc	7¾ - 7¼	7¾ - 7⅝	7⅞ - 7¾	8 - 7⅞	8⅜ - 8¼	8⅝ - 8½
Deutschmark	8¼ - 8½	8⅝ - 8½	8⅝ - 8½	8⅝ - 8½	8⅞ - 8¾	9⅛ - 8⅞
Fr. Franc	9¾ - 9½	10 - 9¾	10 - 9¾	10⅛ - 10	10⅜ - 10¼	10⅝ - 10½
Italian Lira	11 - 7	8½ - 7½	9¾ - 8¾	10½ - 10	11¼ - 10¾	11¾ - 11½
Belgian Franc	9⅛ - 8⅞	9 - 8¾	9 - 8¾	9⅛ - 8⅞	9¼ - 9⅛	9⅝ - 9½
Yen	7¾ - 7⅝	7⅞ - 7⅝	8⅛ - 7⅞	8⅛ - 8⅜	8⅝ - 8½	8¾ - 8⅝
D. Krone	10⅜ - 10⅛	10⅜ - 10⅛	10⅜ - 10⅛	10⅝ - 10⅜	10¾ - 10⅝	10¾ - 10⅝
Asian $Sing.	8⅛ - 8⅛	8⅛ - 8⅛	8⅛ - 8⅛	8⅛ - 8⅛	8⅛ - 8⅛	8¼ - 8⅛

Long term Eurodollars: two years 8⅞-8⅞ per cent; three years 8⅞-8⅞ per cent; four years 8⅞-8⅞ per cent; five years 9⅛-8⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.1	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.890	2.933	258.8	9.825	2.435	3.305	2198	2.176	60.45
$	0.529	1	1.552	136.9	5.198	1.288	1.749	1163	1.151	31.98
DM	0.341	0.644	1	88.24	3.350	0.830	1.127	749.4	0.742	20.61
YEN	3.864	7.303	11.33	1000.	37.96	9.409	12.77	8493	8.408	233.6
F Fr.	1.018	1.924	2.985	263.4	10	2.478	3.364	2237	2.215	61.53
S Fr.	0.411	0.776	1.205	106.3	4.035	1	1.357	902.7	0.894	24.83
H Fl.	0.303	0.572	0.887	78.31	2.973	0.737	1	665.1	0.658	18.29
Lira	0.455	0.860	1.334	117.7	4.470	1.108	1.504	1000.	0.990	27.50
C $	0.460	0.869	1.348	118.9	4.515	1.119	1.519	1010	1	27.78
B Fr.	1.654	3.127	4.852	428.1	16.25	4.028	5.467	3636	3.600	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr per 100.

MONEY MARKETS

A softer tone

INTEREST RATES had a softer tone in London yesterday, following further evidence of a slowdown in UK domestic demand. Final retail sales figures for August fell 2.0 per cent, compared with a provisional drop of 1.6 per cent announced last month.

Three-month sterling interbank eased to 14⅞-14¾ per cent from 14⅞-14⅞ and 12-month money declined to 14⅝-14⅝ per cent from 14¾-14⅞.

Short sterling futures traded in a narrow range on Liffe.

UK clearing bank base lending rate 15 per cent from October 5, 1989

December delivery opened higher at 85.66 and touched a peak of 85.69, but finished little changed at 85.62 against 85.61 on Friday.

The Bank of England initially forecast a day-to-day credit shortage of £250m on the money market, but revised this to £400m at noon.

Total help of £403m was provided. Before lunch the authorities bought £205m bills outright, by way of £30m bank bills in band 1 at 14¾ per cent; £4m Treasury bills in band 2 at 14¾ per cent; £2m local authority bills in band 2 at 14¾ per cent; and £169m bank bills in band 2 at 14¾ per cent.

In the afternoon another £138m bank bills were purchased in band 2 at 14¾ per cent. Late assistance of around £60m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £806m, with bank balances below target absorbing £140m. These outweighed Exchequer transactions adding £105m to liquidity, and a fall in the note circulation of £585m.

In Frankfurt call money was steady at 8.05 per cent, amid no sign of more comfortable trading conditions at the start of the new month. The Gulf crisis is causing uncertainty, but many dealers blame the lack of liquidity in the market on high reserve levels held by East German banks with the Bundesbank. A total of DM4.7bn was borrowed under the 8 per cent Lombard emergency financing facility on Friday and dealers estimate that about DM3bn of this was borrowed by East German banks.

The Bundesbank offered liquidity to the market yesterday via a two-tranche securities repurchase agreement tender for 29 and 62 days. This is to replace two expiring facilities totalling DM38.7bn. The funds will be allocated one day earlier than usual today, because of tomorrow's national holiday to celebrate German unification.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.1) 3 months US dollars		6 months US Dollars	
bid 8	offer 8⅛	bid 8	offer 8⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4pm)

Prime rate	10
Broker loan rate	9¾
Fed funds	8⅛
Fed funds at intervention	-

Treasury Bills and Bonds

One month	7.07	Three year	8.09
Two month	7.28	Four year	8.28
Three month	7.36	Five year	8.38
Six month	7.54	Seven year	8.61
One year	7.64	10-year	8.70
Two year	7.94	30-year	8.83

Oct.1	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.00-8.10	8.20-8.35	8.25-8.40	8.45-8.60	8.60-8.75	8.00
Paris	9¾-9⅞	9⅞-10⅛	10⅛-10⅜	10¼-10⅜	10½-10⅝	9.50
Zurich	6¾-7¼	7¼-8	-	8-8¼	-	-
Amsterdam	8.12-8.25	8.23-8.30	-	8.40-8.50	-	-
Tokyo	7⅞-7⅞	7⅞-8	-	-	-	-
Milan	9¾-10½	9¾-9¾	-	10¾-11	-	-
Brussels	8.90	8¾-8⅞	-	8⅞-9	-	-
Dublin	10⅛-10¼	10⅛-10¼	10¼-10⅜	10¾-11	11-11¼	-

LONDON MONEY RATES

Oct 1	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15	14⅞	15	14⅞	14⅞	14¾
Interbank Bid	14¼	14⅞	14¾	14⅞	14⅞	14⅝
Sterling CDs	–	–	14⅞	14¾	14¾	14⅝
Local Authority Deps.	14¼	14⅞	14¾	14¾	14¾	14⅝
Local Authority Bonds	–	–	–	–	–	–
Discount Mkt Deps.	15	14¾	14⅞	14½	–	–
Company Deposits	–	–	14⅞	15	14¾	14½
Finance House Deposits	–	–	14¾	14⅞	14⅞	14¾
Treasury Bills (Buy)	–	–	14¾	14¾	–	–
Bank Bills (Buy)	–	–	14⅞	14⅞	14⅞	–
Fine Trade Bills (Buy)	–	–	15⅛	14⅞	14⅞	–
Dollar CDs	–	–	8.08	8.08	8.08	8.15
SDR Linked Dep. Offer	–	–	9⅛	9⅛	9⅛	9⅜
SDR Linked Dep. Bid	–	–	9	9⅛	9⅛	9⅛
ECU Linked Dep. Offer	–	–	9⅞	10⅛	10⅛	10⅜
ECU Linked Dep. Bid	–	–	9⅞	10	10⅛	10⅛

Treasury Bills (sell); one-month 14⅜ per cent; three months 14⅜ per cent; six months 13⅞ per cent. Bank Bills (sell): one-month 14⅞ per cent; three months 14⅜ per cent; Treasury Bills; Average tender rate of discount 14.2333 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 28,1990. Agreed rates for period Oct 24,1990 to Nov 25, 1990, Scheme I: 15.78 p.c. Schemes II & III: 16.21 p.c. Reference rate for period Sept. 1,1990 to Sept 28 , 1990, Scheme IV&V: 14.955 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed Finance Houses Base Rate 15 from October 1 , 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989 . Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100% [illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100% [illegible]

LIFFE EUROMARK OPTIONS DM1m points of 100% [illegible]

LIFFE EURODOLLAR OPTIONS $1m points of 100% [illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100% [illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100% [illegible]

US TREASURY BONDS 8% $100,000 32nds of 100% [illegible]

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100% [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100% [illegible]

THREE MONTH STERLING £500,000 points of 100% [illegible]

THREE MONTH EURODOLLAR $1m points of 100% [illegible]

THREE MONTH EUROMARK DM 1m points of 100% [illegible]

THREE MONTH ECU ECU 1m points of 100% [illegible]

FT-SE 100 INDEX £25 per full index point [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100% [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100 [illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100% [illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100% [illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr [illegible]

STANDARD & POORS 500 INDEX 500 times index [illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1) [illegible]

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF) [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open Int
December	89.78	89.77	+0.05	89.82	89.77	10.23	16,758
March	89.74	89.73	+0.05	89.80	89.72	10.27	4,450
June	89.70	89.70	+0.06	89.70	89.70	10.30	791
September	-	-	-	-	-	10.32	135

Estimated volume 7,668 Total Open Interest 22,134

CAC-40 FUTURES (MATIF) Stock index

	Open	Close	Change	High	Low	Open Int
October	1515.0	1559.0	+77.0	1559.0	1515.0	11,694
November	1524.0	1551.0	+65.0	1551.0	1519.0	190
December	1526.0	1540.5	+43.5	1540.5	1526.0	51
March	-	-	-	-	-	0

Estimated volume 10,120 Total Open Interest 11,935

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8895	1.8782	1.8591	1.8314	1.7889

IMM-STERLING $ per £

	Close	High	Low	Prev.
Dec	1.8558	1.8660	1.8538	1.8486
Mar	1.8276	1.8390	1.8250	1.8214
Jun	1.8040	1.8150	-	1.7984

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd.	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm.	15	Robert Fraser & Ptns.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat Bk. of Kuwait	15		

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MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

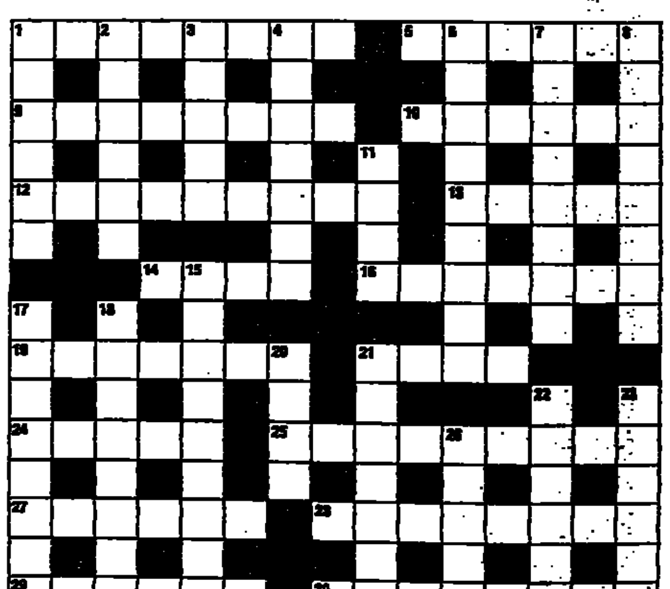
[illegible]

NOTES—Rates paid are for savings of £2,000 or more unless otherwise stated. [illegible]

JOTTER PAD

CROSSWORD

No.7,356 Set by TANTALUS



ACROSS

1 It may be plain to a Buddhist monk (8)
5 Frenchman goes to racecourse with talisman (6)
9 Rock is in refined surroundings (8)
10 Wild capers cause a predicament (6)
12 Look at vivid little plant (9)
13 Nymph in china I admired (5)
14 Box for a rafter (4)
16 Ancient galley built by three soldiers (7)
19 Artist having quiet drink gives sympathy (7)
21 Exclude many players (4)
24 Odds on one getting room (5)
25 "Just send in your chief an' —" (Kipling) (9)
27 Chooses the Spanish sect for a change (6)
28 Converted, St Paul accepts girl with approval (8)
29 Coaches teachers (6)
30 Abuse mother later – could be the start of trouble (8)

DOWN

1 Upset tame animal with fur cape (6)
2 Queen supports catalogue printed by surgeon (6)
3 Directly opposed Interpol arriving in here (5)
4 Number at home greet assembly (7)
6 Moving up to island in S. Atlantic (9)
7 Instrument – many learn it with difficulty (8)
8 Machine worker alerted characters on river (8)
11 Little children lifted young ox (4)
15 University official takes in note from guard (9)
17 Make a search for brochure without us (8)
18 A gentle father for example is obvious (8)
20 Examine flower (4)
21 Prohibit one and all turning up with impure mixture (7)
22 Commercial on immorality provides counsel (6)
23 Could one sport make for good health? (6)
26 Triumph once during last month (5)

Solution to Puzzle No.7,355

REVOLT SHARPS
TROUNCE TWELFTH
PLATELAYER TORN
WEDGE TIDERACE
DISTASTE SPOOL
TEAM SCREENTEST
SWEEPER ASHAMED
YEARLY BRIDGE

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices October 1

MONTREAL
Closing prices October 1

Total Sales 3,161,222 shares.

INDICES

NEW YORK

DOW JONES	Oct. 1	Sept. 28	Sept. 27	Sept. 26	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2515.84	2452.48	2427.48	2459.65	2999.75 (16/7)	2427.48 (27/9)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.05	88.77	88.70	88.69	95.04 (3/1)	88.44 (24/9)	—	—
Transport	873.15	841.35	828.03	846.52	1212.77 (6/6)	828.03 (27/9)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	203.35	198.57	198.69	199.76	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2534.65 (2465.99) Low 2446.53 (2367.82)

STANDARD AND POOR'S	Oct. 1	Sept. 28	Sept. 27	Sept. 26	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	314.94	306.05	300.97	305.06	368.95 (16/7)	300.97 (27/9)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	370.54	360.47	355.12	359.99	437.37 (16/7)	355.12 (27/9)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	21.59	20.87	19.88	20.63	31.87 (3/1)	19.88 (27/9)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	172.22	167.85	165.36	167.52	201.13 (16/7)	165.36 (27/9)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	308.44	307.72	305.43	310.06	382.45 (5/1)	305.43 (27/9)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	354.65	344.51	341.19	350.05	469.60 (16/7)	341.19 (27/9)	485.73 (9/10/89)	54.87 (31/10/72)

	Sept.28	Sep.21	Sep.14	year ago (approx.)
Dow Industrial Div. Yield	4.14	4.03	3.95	3.74

	Sept 26	Sep.19	Sept12	year ago (approx.)
S & P Industrial div. yield	3.49	3.29	3.28	2.76
S & P Indl. P/E ratio	14.55	15.12	15.44	14.35

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Philip Morris	3,550,700	47¾	+ 2½
Pepsico	3,021,900	24⅝	+ 1⅛
Gen. Electric	2,831,300	56¼	+ 1⅞
Citicorp	2,371,300	15⅛	+ ⅞
Waste Mngmt.	2,317,100	34¼	+ ½
AT & T	2,233,300	32⅛	+ 1¼
Wal-Mart	2,057,500	29	+ 1⅜
GTE Corp.	2,004,700	28⅛	+ 1⅜
IBM	1,850,600	109	+ 2⅝
Fannie Mae	1,816,700	29⅛	+ 1⅜

TRADING ACTIVITY

† Volume Millions	Oct. 1	Sept. 28	Sept. 27
New York	202.210	201.010	182.690
Amex	17.193	12.814	12.826
NASDAQ	(u)	157.507	153.277
Issues Traded	1,997	1,968	1,992
Rises	1,194	886	398
Falls	435	688	1,191
Unchanged	368	394	403
New Highs	2	-	1
New Lows	125	440	411

CANADA

TORONTO	Oct. 1	Sept 28	Sept 27	Sept 26	1990 HIGH	1990 LOW
Metals & Minerals	2904.67	2860.86	2868.40	2873.50	3453.05 (4/1)	2850.80 (23/8)
Composite	3175.67	3159.37	3161.49	3181.48	4009.47 (3/1)	3159.37 (28/9)
MONTREAL Portfolio	1690.82	1675.12	1670.81	1681.40	2060.90 (3/1)	1670.81 (27/9)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct. 1	Sept. 28	Sept. 27	Sept. 26	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1385.7	1398.5	1393.6	1385.7	1713.7 (12/1)	1385.7 (26/9)
All Mining (1/1/80)	695.4	705.4	705.1	701.1	868.8 (5/1)	695.4 (1/10)
AUSTRIA						
Credit Aktien (30/12/84)	420.29	401.75	404.58	407.24	703.29 (19/5)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5046.67	5007.06	4997.61	4967.11	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	(u)	331.69	331.41	332.25	388.29 (20/7)	331.41 (27/9)
FINLAND						
Unitas General (1975)	426.5	428.8	428.4	425.0	677.3 (23/1)	425.0 (26/9)
FRANCE						
CAC General (31/12/82)	415.93	415.32	413.09	410.18	564.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1540.81	1491.76	1523.95	1499.17	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	599.94	569.69	595.44	586.55	832.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1719.3	1628.7	1704.8	1681.1	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1420.73	1334.89	1354.08	1381.99	1968.55 (30/5)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	2791.26	2760.82	2767.95	2778.74	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1207.47	1208.12	1223.43	1217.77	1695.18 (22/1)	1207.47 (1/10)
ITALY						
Banca Com. Ital. (1972)	562.58	557.57	562.88	555.71	763.52 (14/6)	554.30 (25/9)
JAPAN						
Nikkei (16/5/49)	20221.86	20983.50	22771.91	22250.62	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1523.43	1570.95	1620.26	1651.44	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	2859.49	2972.46	3094.91	3194.45	4477.16 (16/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	(c)	459.08	469.84	473.88	632.22 (1/8)	459.08 (28/9)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	232.0	228.2	231.5	232.2	271.9 (20/7)	228.2 (28/9)
CBS All Shr (End 1983)	170.3	167.6	170.0	170.5	206.3 (3/1)	167.6 (28/9)
NORWAY						
Oslo SE (Ind) (2/1/83)	789.39	787.32	794.24	814.40	915.13 (2/8)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	595.50	546.55	544.02	551.75	1160.70 (21/5)	595.50 (1/10)
SINGAPORE						
SES All-Singapore (2/4/75)	308.40	307.36	310.13	311.17	446.87 (16/7)	307.36 (28/9)
SOUTH AFRICA						
JSE Gold (28/9/78)	1538.06	1603.0	1602.0	1583.0	2238.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2640.08	2660.0	2719.0	2685.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	(c)	597.67	595.45	594.04	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	213.70	209.37	212.04	209.58	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	957.3	910.0	945.4	971.4	1329.9 (5/7)	910.0 (28/9)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	630.1	613.4	625.3	621.6	845.5 (13/7)	613.4 (28/9)
TAIWAN**						
Weighted Price (30/6/66)	2560.47	(c)	2705.01	2596.79	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	654.39	641.56	638.15	625.86	1143.78 (25/7)	613.95 (25/9)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	423.1	425.2	429.1	571.0 (4/1)	423.1 (28/9)

**Saturday September 29: Taiwan Weighted Price: (c) Korea Comp Ex. 602.88
§ Subject to official recalculation.
Agró Base values of all indices are 100 except Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday 1 October 1990

	Stocks Traded	Closing Prices	Change on day
Kobe Steel	18.2m	479	-1
Hitachi	12.5m	1,180	+50
Nippon Steel	12.3m	400	+2
Kurabo Ind	10.6m	1,250	-220
MHI	8.8m	640	+3
Honshu Paper	7.6m	3,400	-490
NKK	6.8m	370	-3
Toshiba	5.8m	749	+15
Matsushita	5.7m	1,750	+100
Sumitomo Mtl	4.3m	306	-7

AMEX COMPOSITE PRICES

4pm prices October 1

4pm prices October 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
37½	11⅞	AAR	.48	3.8	8	1443	12⅝	12⅛	12½	+ ⅛
9¼	7⅞	ACM n	1.01	12.		774	8⅛	7⅞	8⅛	+ ⅛
11⅜	8¾	ACMIn	1.26	14.		709	9¼	9	9⅛	+ ⅛
9¼	6½	ACM M pl	1.01	15.		668	7	6¾	6⅞	+ ⅛
12⅛	10	ACMMM	1.50	13.		77	11⅝	11½	11½	– ⅛
11½	8⅞	ACM Sc	1.26	14.		676	9	8⅞	9	+ ⅛
9⅜	7¼	ACMSp	1.01	13.		x701	8	7¾	7⅞	+ ⅛
24⅝	14⅛	AL Lab	.16	.9	16	37	18⅞	18⅜	18⅜	+ ⅛
5⅜	1¼	AM Intl				245	1½	1⅜	1½	
23¼	7	AM In pf	2	25.		108	8¼	7⅞	8¼	
107¼	39¼	AMR			10	7731	45	42⅞	45	+2¼
28½	25	ANR pf	2.67	10.		2	25½	25½	25½	
24⅝	22¾	ANR pf	2.12	9.2		1	23⅛	23⅛	23⅛	
4¼	2⅛	ARX			10	49	3⅛	3	3⅛	+ ⅛
72¼	42⅞	ASA	3a	6.3		933	48¼	47¼	47½	– 1⅞
45⅝	30⅞	AbtLab	s.84	2.0	20	15113	41¾	39⅜	41½	+2⅛
14⅝	11¼	AbitibI	g .50			15	12¼	12¼	12¼	
11⅝	5⅛	AcmeC	.40	6.8	7	77	5⅞	5⅞	5⅞	+ ⅜
9⅜	6½	AcmeE	.32	5.0	9	34	6½	6¼	6⅜	+ ⅛
32¼	18⅞	Acuson	s		24	1174	28¼	28¼	28	+1
16⅞	14⅛	AdaEx	2.06e	14.		210	14⅝	14⅜	14⅝	
15⅜	10	Adobe				34	12¼	12	12⅛	
20¼	17⅜	Adob pf	1.84	10.		11	17⅜	17⅝	17⅝	– ⅛
21⅝	19¾	Adob pf	2.40	12.		21	20¼	20	20	
11⅝	4⅞	AMD			22	2490	5½	5⅛	5½	+ ⅛
32⅞	18¼	AMD pf	3	16.		722	19	d18⅝	18¾	
9¼	2	Advest	.16	6.4	31	212	2½	2⅜	2½	+ ⅛
62½	35¼	AetnLf	2.76	7.0	8	2469	39¼	37⅞	39¼	+1¼
13¼	8	AflPb	.24	2.8		790	8½	8¼	8½	+ ⅜
25	11⅜	Ahmans	.88	6.2	8	3982	14¼	13¾	14¼	+ ⅜
3¼	1⅞	Aileen			7	42	2⅜	2⅜	2⅜	+ ⅛
61	43	AirPrd	1.44	3.1	12	1097	47⅞	45¼	46⅞	+2

Continued on Page 47

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18	2½	PrMLtd	2.08	72.	3	109	3⅛	2⅞	2⅞	-⅛
27⅞	19⅝	Primca	.40	2.0	6	5791	21	19¼	19¼	-¾
91¼	59	ProctG	s1.80	2.3	17	9724	77½	73⅝	77	+4⅛
58⅞	32⅞	ProgCp	.44	.9	18	336	48½	46½	48⅝	+2⅛
29½	16	Proler	.52	3.4		9	15½	15¼	15½	+⅜
[illegible]										

[illegible]

NASDAQ NATIONAL MARKET

3pm prices October 1

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

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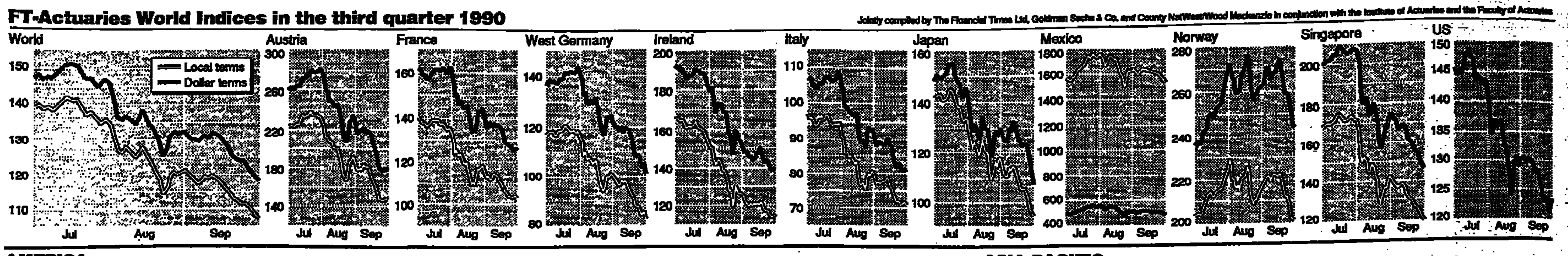
FT-Actuaries World Indices in the third quarter 1990

Jointly compiled by The Financial Times Ltd, Goldman Sachs & Co. and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries



AMERICA

Conciliatory gestures prompt rally in Dow

Wall Street

CONCILIATORY statements by President Bush and Iraqi President Saddam Hussein prompted a stock market rally yesterday as the prospect of war in the Gulf started to recede and oil prices fell, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average was up 63.36 at 2,515.84, its biggest gain since August 27. Trading on the New York Stock Exchange was heavy, with 202.2m shares changing hands. The morning surge in the DJIA triggered the New York Stock Exchange's downtick rule restricting computer-driven programme buying. On Friday, the Dow closed up 25 at 2,452.48 on heavy volume of 202.7m shares.

The gains were broadly-based, with the Standard & Poor's 500 index up 8.88 at 314.93. On the big board, advancing issues led those declining by 1,192 to 432.

The equity market also received some support from the Federal budget agreement at the weekend and a deficit reduction package.

The rally in equities carried into the bond market, which opened on a muted note but moved sharply higher by the early afternoon, when the treasury's bellwether long bond was quoted 1⅛ higher for a yield of 8.83 per cent.

Oil prices tumbled with traders taking profits for the first time in two weeks. In late trading November crude oil was quoted $2.42 lower at $37.09 a barrel after posting modest gains at the start of trading.

As oil futures fell, oil service companies retreated. Helmerich & Payne, a contract drilling company, dropped $1⅛ to $28⅞ and Rowan lost $1¼ to $13¼. Oil service companies were also hit, with Halliburton sliding $1⅞ to $49⅛, Dresser Industries $1⅛ to $18⅞ and Schlumberger by $1⅞ to $59.

Shares in oil producing companies were mixed, with Texaco down $⅞ to $60⅝, Exxon up $⅝ at $49⅝ and Amoco $⅛ lower at $56¼.

Yesterday's decline in gold prices depressed gold stocks. Asa lost $2 to $47⅞, Newmont Mining slid $1⅜ to $39⅞ and Battle Mountain Gold moved $1 lower to $9⅛.

Monsanto added $2 to $41 after an analyst at First Boston upgraded his investment rating for the stock and increased his 1991 earnings projections.

Blue chip issues were very active, with Philip Morris gaining $2⅝ to $47⅝, General Electric rising $1⅜ to $56¼, PepsiCo adding $1⅜ to $24⅜ and AT&T improving $1⅛ to $32⅛.

Waste Management moved $⅝ higher to $34¼ in heavy trading, although an environmental services analysts downgraded their investment rating of the company's Chemical Waste Management subsidiary.

Over-the-counter stocks also surged with the NASDAQ Composite up 10.14 at 354.65.

Sun Microsystems jumped $2⅜ to $24 on reports that 53 Compaq might acquire some high-powered microprocessors from Sun. Shares in Sun Microsystems plunged $3⅞ on Friday after Goldman Sachs lowered its earnings estimates.

Canada

TORONTO share prices closed higher in moderate trading in spite of a sharp decline in gold stocks.

The composite index was up 16.3 to 3,175.67 while declines outnumbered advances 295 to 254. Volume of 20.08m shares valued at C$214.4m was off from Friday's 21.4m shares worth C$233.3m.

Consumer products shares and mining stocks were both up more than 1 per cent and transportation issues gained 3.64 per cent.

ASIA PACIFIC

Nikkei falls again in worst sustained decline since 1950

Tokyo

WIDESPREAD individual selling overwhelmed early buyers yesterday and the Nikkei average took another sharp plunge, bringing Tokyo's loss this year to its second biggest in the post-war era, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei dropped more than 1,100 in late afternoon to less than 20,000 for the first time in three and a half years. In the last hour, it recovered a little on reports that the Ministry of Finance was considering ways to support the market, closing 761.64 or 3.6 per cent down at 20,221.86. This was the fifth consecutive year's low.

The Nikkei is down 48 per cent from the peak of 38,915 at the end of 1989 in its largest sustained fall since it plunged 51 per cent in 1949/50, during the Korean war.

The initial uptrend brought institutions in to buy blue-chip, high-technology issues. By midmorning, however, selling by individuals gathered pace; a record number of individuals who had bought stocks on margin were faced with additional payments at the end of last week.

The fall yesterday came in spite of reports that the finance ministry was said to be considering measures to support the stock market, which prompted a strong rally on both the bond futures and cash markets. The measures were reported to include easing margin trading restrictions, limiting trading hours on the futures market and encouraging institutions to lend greater support to the market.

Steps have already been taken in the first two areas. Finance Ministry officials, while admitting that measures were being studied, declined to comment on what, specifically, was being considered.

The day's low was 19,781.50, and the high 21,075.50. Declines led advances by 676 to 72 with 52 unchanged, and turnover was a sluggish 400m shares, down from 450m. The Topix index fell under 1,500 for the first time since November 1986, losing 47.52 to 1,523.43 and, in London, the *ISE/Nikkei 50* index rose 28.35 to 1,230.32.

The worsening business outlook took its toll of the financial sector, where falls were sharp and far-ranging. Industrial Bank of Japan shed Y120 to Y2,200 and Nomura Securities lost Y80 to Y1,440.

Shares which had risen on rumours of speculative buying came under pressure on worries about the finances of the predators. Kurabo Industries dropped Y220 to Y1,250 and Honshu Paper Y490 to Y3,400.

High-tech electricals were strong on the argument that their p/e ratios were now close to overseas market levels. Hitachi, second in volume with 12.5m shares, gained Y50 to Y1,190, Toshiba Y15 to Y749 and Matsushita Y100 to Y1,750.

Osaka fell through 23,000 for the first time since January 1988, losing 1,316.81 to 22,384.24. Turnover shrank from Friday's surprising 366.6m shares to 40.5m.

Roundup

DOMESTIC concerns and Tokyo's decline depressed markets yesterday, although bargain-hunting helped some to finish higher. Kuala Lumpur, Seoul and Bombay were closed.

AUSTRALIA saw News Corp drop A$1 to A$6.50, sending the media index hurtling 351.1 or 10.6 per cent down to 2,964.4. The company's stock has been under pressure recently on concerns over its debt, and in reaction to a capital restructuring which could lead to earnings dilution. Tokyo's weakness also weighed on prices. The All Ordinaries index fell ending 13.0 down at 1,385.7, but off its low of 1,380.0.

Volume was thin as Sydney was closed for a holiday, falling to A$121.6m from A$299m.

TAIWAN fell 5.3 per cent to its lowest level since mid-January 1988, in response to Tokyo and the continued uncertainty in the Middle East. The weighted index lost 144.54 to 2,560.47, after the market's closure on Friday and Saturday. Turnover was T$11.66bn, down from T$16.44bn.

MANILA was unnerved by Tokyo's fall and by another pre-dawn bomb blast. The composite index lost 11.05 to a 41-month low of 535.50. Volume halved to 62.5m pesos.

HONG KONG, BANGKOK and SINGAPORE all rose on bargain-hunting, although trading remained quiet.

SOUTH AFRICA

JOHANNESBURG *golds* followed the slide in world bullion prices to under $400 an ounce, the all-gold index falling 65 to 1,603. Related mining financials eased sharply in sympathy, and the industrial index fell 20 to 2,640.

EUROPE

Bourses stage technical rally in thin volume

BOURSES moved up on the US budget pact, hopes for world interest rates and on technical considerations, *writes Our Markets Staff.*

FRANKFURT put on 6.4 per cent as the Bundesbank's average bond yield fell two basis points to 9.19 per cent. The DAX index closed 85.84 higher at 1,420.73 after a 30.25, or 5.3 per cent gain in the FAZ at midsession. Volume remained low at DM4.8bn after DM4.7bn.

But the rise seemed to have much to do with technicalities, and little to do with fundamentals. "It was not a normal atmosphere; no-one was laughing, nobody really participated," said Mr Jens Wiecking of Merck Finck in Düsseldorf. He thought that short covering from the Deutsche Terminbörse followed by some small domestic and UK buying had exaggerated the uptrend.

A number of stocks put on more than 10 per cent, including Bilfinger & Berger, the construction group, and Lufthansa. But Porsche only rose DM2 to DM734, following news of a US plan to introduce a tax on luxury cars.

PARIS took heart from reports that the Government would continue its favourable fiscal stance towards companies, especially regarding reinvested profits, in the upcoming budget. But trading was mainly futures-driven, with volume estimated at around FFr2bn. The CAC 40 index rose 49.05 or 3.3 per cent to 1,540.81.

Foreign institutions continued to be sidelined, and reports that redemptions were forcing domestic unit trusts to sell hung over the market.

Peugeot, due to announce its interim results today, rose FFr23 to FFr542, while Thomson-CSF lagged behind the market, adding only FFr1 to FFr101 following last week's fall in net attributable profit.

MILAN followed the other bourses higher, with the Comit index rising 5.01 to 562.58.

The gains came in spite of a capital gains tax, and the forced auction of Lombardfin share holdings. The tax, introduced at the weekend, was expected to weaken the market in the near term because it would take money out of the system.

Banks supported the shares of companies such as Generali and Montedison auctioned by Lombardfin, the securities house declared insolvent last week. Generali rose L100 to L35,200 and Montedison gained L64 to L1,211.

AMSTERDAM jumped 2.3 per cent in a technical reaction to last week's slump and was not supported by an increase in volume. The CBS Tendency index rose 2.1 to 94.5.

There was isolated buying of defensive stocks, such as Unilever which rose Fl 4.00 to Fl 137.00 and Ahold which added Fl 1.90 to Fl 124.40.

ZURICH rose in thin trade, the Crédit Suisse index adding 16.2, or 3.4 per cent to 495.3. Roche certificates rose SFr110 to SFr3,360 as stories began to circulate about Accutane, a drug which is said to prevent cancer; and denials that Mr Werner Rey planned to sell his stake in Adia, the services company, saw the latter down from an intraday peak of SFr1,000 to SFr955 for a net gain of SFr20 on the day.

COPENHAGEN saw Hafnia Holding rise DKr25 to DKr590 after offering to pay DKr1,000 each for any new shares issued by Baltica Holding, in which it has a 28.7 per cent holding. Baltica rose DKr60 to DKr810. In BRUSSELS, Société Générale de Belgique eased BFr10 to BFr2,020 after Mr Carlo de Benedetti said he wanted to sell the rest of his holding.

ATHENS, which had been shut by strike action since Tuesday, dropped 5.9 per cent, as the general index lost 67.84 to 1,082.46.

Stockholm chickens come home to roost

Robert Taylor explains why Swedish equities have the jitters

LAST WEEK, Stockholm's performance was the worst of any stock market in the world. Hounded down by troubles in the UK property industry, translated into the Swedish financial sector, the Affärsvärlden general index dropped by 14.3 per cent, the biggest fall on record and much grimmer than the setback in October-November 1987 after the Wall street crash.

Yesterday the bourse staged an apparently strong recovery with a 5.1 per cent improvement in the index, which was the best performance of all the European stock markets except Frankfurt. This stemmed in part from a belief that, for three of Sweden's larger financial investment companies, last week's troubles were coming to a satisfactory conclusion.

Perhaps last week's panic was an over-reaction. But it would be wrong to believe the feverish instability on the Swedish bourse is at an end. A day's trading is a long time on the stock market, and it has had some difficult days since Saddam Hussein's occupation of Kuwait on 2 August; over those two months, the Swedish bourse index had dropped by 34 per cent until yesterday's recovery.

Last week's sudden and dramatic deterioration on the Stockholm bourse came, then, as an added shock to those who looked with admiration on its bullish achievements, following its emergence in the middle 1980's, after deregulation, to become one of the best performers in the world.

But the troubles that hit the market so hard in September are more than just an understandable response to the events in the Gulf, and other fears shared by stock markets across the world.

Sweden has its own internal troubles, reflected in a stock market slide from midsummer, which have been compounded by the impact of this autumn's international anxieties. Deregulation provided the impetus for its rise, but it has also had painful consequences.

The period of liberation brought a feeling of euphoria onto the Stockholm bourse. Its market value jumped from SKr285bn in 1985 to SKr744bn last year. And while domestic turnover was much less dramatic, as many investors preferred to trade in shares in Sweden's blue-chip companies elsewhere, observers still say that there was a kind of delirium on the bourse in the 1980's: this was the decade which saw the rise of the finance companies, like Nyckeln, Gamlestaden and Infina, which triggered last week's crisis of confidence in their perception by banks, and institutional investors.

The sobering of the bourse also stems from worrying signs of a sharp deterioration in Sweden's macroeconomic outlook. The latest forecasts suggest that, in 1991, Sweden will suffer from a sizeable drop in its industrial investment, a huge balance of payments deficit amounting to over 4 per cent of its gross domestic product, a zero trade balance, roaring wage and price inflation and an actual drop in its economic growth rate. In short, the country is heading for a rough landing in the midst of a costs crisis.

None of this is likely to improve the atmosphere on the stock market. Indeed, cripplingly high interest rates look like remaining Sweden's main line of defence in containing monetary pressures, even though they are hitting the property market hard and precipitating a sharp increase in loan losses.

A growing number of listed companies are also reporting poorer than expected results while blue-chips like Electrolux, Volvo, Saab-Scania, SKF and Trelleborg have been underperforming. However, some of last week's big losers, like the construction company Skanska, improved strongly yesterday, while demand for Ericsson and Astra shares remains bouyant.

In recent years the Stockholm bourse often seemed insulated from the realities of the wider economy but now its chickens have come home to roost. There has been an unsettling convergence between the stock market and the country's economic performance.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY OCTOBER 1 1990								FRIDAY SEPTEMBER 28 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (79)	135.45	+0.1	106.28	117.22	109.26	108.36	−0.6	7.04	135.30	107.07	118.24	110.16	109.02	158.31	125.85	158.01
Austria (19)	186.01	+3.5	145.95	160.97	150.04	149.95	+2.6	1.82	179.74	142.24	157.06	146.34	146.16	285.63	178.57	160.85
Belgium (61)	130.04	+1.9	102.04	112.52	104.89	102.62	+1.1	5.64	127.66	101.02	111.55	103.93	101.53	160.02	126.67	142.65
Canada (119)	128.36	+0.7	100.72	111.07	103.53	107.12	+0.3	3.74	127.51	100.90	111.42	103.81	106.78	153.61	127.51	151.17
Denmark (33)	239.36	+1.9	187.81	207.14	193.07	192.97	+1.1	1.54	234.84	185.84	205.23	191.20	190.85	277.62	234.05	197.84
Finland (26)	104.99	+1.1	82.38	90.86	84.69	81.17	+0.1	3.37	103.87	82.20	90.78	84.57	81.12	152.29	103.43	125.95
France (122)	130.20	+3.2	102.16	112.66	105.01	106.20	+2.4	3.86	126.17	99.84	110.25	102.71	103.78	168.85	124.98	136.72
West Germany (92)	107.85	+6.4	84.63	93.34	86.99	86.99	+5.4	2.58	101.38	80.23	88.61	82.54	82.54	144.63	101.38	101.08
Hong Kong (46)	114.06	+1.1	89.51	98.72	92.02	113.66	+1.1	5.80	112.82	89.28	98.59	91.85	112.43	147.49	112.24	115.82
Ireland (17)	139.24	−0.3	109.25	120.49	112.31	113.37	−1.3	4.61	139.61	110.48	122.01	113.67	114.87	198.57	139.04	158.86
Italy (94)	83.01	+1.9	65.13	71.83	66.95	72.11	+1.2	3.30	81.42	64.43	71.15	66.29	71.28	109.28	80.87	93.73
Japan (454)	106.58	−1.6	83.62	92.23	85.96	92.23	−2.6	0.92	108.36	85.75	94.70	88.24	94.70	197.26	106.58	192.08
Malaysia (35)	183.16	+0.1	143.72	158.50	147.74	190.29	+0.0	3.21	182.96	144.78	159.88	148.95	190.29	250.89	182.96	208.03
Mexico (13)	480.69	−0.1	377.17	415.97	387.73	1525.70	+0.0	0.34	481.19	380.79	420.51	391.76	1525.70	581.41	324.53	307.96
Netherland (42)	130.62	+2.4	102.49	113.04	105.37	104.27	+1.5	5.46	127.56	100.95	111.48	103.86	102.76	149.03	127.56	129.33
New Zealand (16)	56.85	+1.3	44.61	49.20	45.86	48.70	+0.7	7.14	56.11	44.41	49.04	45.69	48.36	75.36	55.62	81.63
Norway (23)	245.03	+0.6	192.26	212.05	197.65	200.30	−0.1	1.58	243.61	192.78	212.90	198.35	200.55	276.79	202.34	184.41
Singapore (25)	148.34	+0.7	116.39	128.37	119.65	120.31	+0.5	3.47	147.24	116.52	128.67	119.87	119.72	209.24	147.24	161.89
South Africa (60)	161.73	−2.7	126.90	139.95	130.45	137.02	−2.4	4.23	166.28	131.58	145.31	135.37	140.33	251.39	161.73	160.24
Spain (42)	132.20	+2.9	103.73	114.41	106.64	97.35	+2.0	5.68	128.54	101.72	112.33	104.65	95.43	182.25	128.54	167.67
Sweden (34)	170.05	+7.6	133.43	147.16	137.17	144.06	+6.8	2.79	158.07	125.09	138.14	128.70	134.85	234.93	158.07	181.36
Switzerland (65)	88.54	+4.2	69.48	76.63	71.43	70.76	+3.4	3.00	85.00	67.26	74.28	69.21	68.43	109.77	85.00	89.91
United Kingdom (300)	152.87	+2.7	119.95	132.27	123.29	119.95	+1.9	5.80	148.78	117.74	130.01	121.12	117.74	176.18	139.87	152.50
USA (534)	126.83	+2.8	99.52	109.76	102.31	126.83	+2.8	3.88	123.35	97.61	107.80	100.43	123.35	148.95	121.30	142.63
Europe (970)	129.14	+3.4	101.33	111.76	104.17	102.77	+2.5	4.52	124.91	98.85	109.16	101.70	100.24	157.65	124.91	130.91
Nordic (116)	179.17	+3.9	140.58	155.05	144.52	142.18	+3.2	2.14	172.38	136.41	150.64	140.34	137.82	223.29	172.38	167.25
Pacific Basin (657)	107.82	−1.5	84.60	93.31	86.97	93.41	−2.4	1.39	109.42	86.59	95.62	89.09	95.68	192.75	107.82	187.73
Euro−Pacific (1627)	116.81	+0.7	91.65	101.07	94.21	98.08	−0.2	2.80	116.03	91.82	101.39	94.46	98.30	174.18	116.03	165.10
North America (653)	126.84	+2.7	99.52	109.77	102.33	125.55	+2.7	3.87	123.52	97.74	107.95	100.58	122.29	148.43	121.59	143.04
Europe Ex. UK (670)	114.17	+3.9	89.59	98.82	92.11	92.46	+3.0	3.61	109.94	87.00	96.09	89.52	89.78	145.62	109.94	116.90
Pacific Ex. Japan (203)	121.78	+0.5	95.55	105.40	98.24	104.47	+0.1	6.26	121.14	95.87	105.88	98.64	104.38	146.72	121.14	136.17
World Ex. US (1819)	117.85	+0.6	92.47	101.99	95.07	99.15	−0.2	2.85	117.12	92.68	102.36	95.36	99.38	173.77	117.12	164.66
World Ex. UK (2053)	116.80	+1.2	91.65	101.08	94.22	106.49	+0.7	2.90	115.37	91.29	100.82	93.94	105.72	162.00	115.37	156.04
World Ex. So. Af. (2293)	119.75	+1.4	93.96	103.64	96.60	107.63	+0.9	3.22	118.04	93.41	103.17	96.11	106.68	161.84	118.04	155.68
World Ex. Japan (1899)	128.17	+2.8	100.57	110.92	103.40	116.28	+2.4	4.22	124.69	98.67	108.97	101.53	113.53	151.59	124.31	138.55
The World Index (2353)	120.01	+1.4	94.16	103.85	96.81	107.83	+0.9	3.23	118.33	93.64	103.42	96.35	106.91	162.05	118.33	155.71

Malaysian market closed October 1.
The Mexican indices have been amended to 494.77(US$) and 1587.4(Local) for September 27.